NEWS IN BRIEF

Eckerd to sell InstaCare Pharmacy

CLEARWATER — Jack Eckerd Corp. plans to sell its Insta-Care Pharmacy Services division for an estimated $40 to $50 million, according to a source familiar with the company.

Company officials had no comment on the sale because Securities and Exchange Commission regulations prevent public comment until Eckerd's pending initial public offering is completed. According to Eckerd's annual report, a registration statement to sell 100 percent of the shares of Insta-Care Holdings Inc. will be filed with the SEC.

Eckerd bought Insta-Care in 1989 from Revco D.S. Inc. for $7.1 million. The division generates 2.2 percent of Eckerd's $3.6 billion in annual sales, according to the company's annual report. Insta-Care is based is Woburn, Mass., and offices are located in Alabama, Florida, Louisiana, Massachusetts, Tennessee and Texas.

Raley's buys Bel Air Market

SACRAMENTO, Calif. — Raley's supermarket and drug center has purchased the Bel Air Market chain, which operates 16 food and drug stores in the metropolitan Sacramento area. Price and terms of the sale weren't disclosed by the two family-owned firms, whose combined annual sales volume is $1.75 billion. Raley's operates 64 stores in northern California and northern Nevada. The transaction is expected to close July 31, pending regulatory approval. George Wong, son of the Bel Air chain's founder, will continue as president.

Texas Drug to open No. 8 soon

ARLINGTON, Texas — Texas Drug Warehouse, a seven-store deep-discount drug chain, is gearing up to open its eighth unit this summer in the Dallas/Fort Worth Metroplex.

The off-price store will open in mid- to late-summer, said company president Harold Pinker. It joins a network of high-volume, 30,000-square-foot-and-up stores offering steep discounts in a market dominated by food/drug combos and relatively few traditional drug chains, including Eckerd Drug and Town & Country Drug, a local Fort Worth chain.

Walgreen source tagging planned

DEERFIELD, Ill. — Walgreen Co. is set to begin installation of an electronic security system based on tagging of merchandise at its distribution centers. The program, which utilizes Checkpoint Systems' Electronic Article Merchandising system, will undergo an initial test at a single distribution center and will include merchandise moving through 200 Walgreens stores.

Walgreen general auditor Chet Young said the company determined source tagging of merchandise for security worked best from the warehouse level, rather than from store level.

Exclusively HBA show: September 22-24

CHICAGO — The third annual Exclusively HBA show, held this year September 22 to 24 at the Denver Convention Center, will include more than 400 HBA/HBC suppliers.

Participation is up across the board this year, according to show management, and display space is expected to sell out by mid-July. More than 3,000 HBA/HBC executives from all classes of trade are expected to attend the show.

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Albertson's: 800 + stores, and multi-market march

By Allene Symons

BOISE, Idaho — Albertson's, Inc., has mapped out plans to build or acquire more than 250 food and drug stores—most over 40,000 square feet—in a multi-market sweep from its current 639 stores to over 800 sites by 1996, it was announced at the chain's annual stockholders meeting here.

The engine behind Albertson's drive in HBA and pharmacy is its new Ponca City, Okla. distribution center. The warehouse, acquired early this year along with 74 Jewel Osco stores, is slated to support "more emphasis on health and beauty care and pharmacy, and more emphasis on general merchandise," according to Gary G. Michael, chairman of the board and ceo. He described the 420,000-square-foot warehouse as "a hidden gem in our acquisition" and noted that it fills a void in Albertson's general merchandise distribution.

According to store-level sources, in recent weeks most pharmacy distribution was shifted from the Fort Worth warehouse to Ponca City, a move that initially caused some confusion but now provides stepped-up delivery to pharmacies in 19 states. The chain plans to invest $290 million on distribution centers by 1996, and is currently adding full-line DCs in Florida and Arizona plus expanding its Fort Worth general merchandise DC for a total of 11 sites.

Lower costs

The 74-store acquisition is expected to "lower the overall cost structure of the company," according to Michael, who added that "it will enable us to take over more stores in the future." Economy of scale will be gained through an existing supervisory structure where acquired stores are lo-

Continued on page 8

McK contract with Wal-Mart

SAN FRANCISCO — McKesson Drug and Wal-Mart have agreed to a three-year renewal of McKesson's prime vendor contract for prescription drugs and selected over-the-counter health care products. Sales to Wal-Mart, McKesson Drug's largest customer, are expected to total approximately $4 billion over the term of the contract.

Wal-Mart estimates that about 150 new prescription drug departments will be added each year for the next three years, including both new and existing store installations. Each Wal-Mart store has an electronic data interchange (EDI) link with McKesson through which ordering and billing is done on a computer-to-computer basis.

Flat market delays Eckerd IPO; stock may be available in July

CLEARWATER, Fla. — With the wind gone from the sails of this spring's blistering IPO market, Jack Eckerd Corp. is reportedly pushing back the date of its initial public offering.

Eckerd officials have never specifically said when the company would return to public ownership, but brokers familiar with the offering had previously said shares would be sold in June. Now, in hopes the IPO market will rebound, brokers said the drug retailer will wait until July before making its stock available to investors.

"We continue to move forward with the IPO," said Eckerd spokesman Gene Ormond. He declined to comment on a specific date other than to say, "we have always said the IPO would be this year."

The number of shares that will be offered has not been disclosed, but brokers have speculated the share price will likely be in the low-$20s range.

Eckerd officials in April confirmed suspicions that the 1,675-store retailer would return to Wall Street. The company plans to use proceeds of the stock sale to reduce long-term debt incurred in 1986 when Eckerd was taken private in a management-led leveraged buyout. The buyout cost Eckerd management $33 a share and put the company in the hole nearly $1.2 billion, of which almost $1 billion remains outstanding.

RDS will use fresh $5 million to restock

PHOENIX — RDS Acquisition Corp., operating its RxPlus chain under Chapter 11 bankruptcy protection since last November, has received a badly needed $5 million in debtor-in-possession financing earmarked to rebuild its starkly depleted inventory.

Robert Morick, senior vp of marketing, told *Drug Store News* that the reorganization and site-trimming process is continuing, with the chain now reduced to 78 stores. In late 1990, RDS emerged as a 163-store operation when an investor group acquired 146 Revco stores and 17 SupeRx units.

Eyewitness reports tell of some RxPlus stores in Texas, Arizona and New Mexico operating with half-empty shelves. The infusion of funds from Citibank and Security Pacific Businesses Credit is targeted to beef up inventory by around the end of this month, according to Morick. "We're getting our stores back in stock on front end. Pharmacy is in good shape," he noted.

Once RxPlus is in a better stock position, the chain will resume promotional activity with a multi-phase program including flyers, newspaper ads and endcap specials on selected high volume HBA and seasonal product. "We feel positive that we will get this to a positive bottom line in the future," said Morick.

Vanguard sale ends O&M's wholesale venture

RICHMOND, Va. — Owens & Minor has reached an agreement in principle to sell 100 percent of the stock of its wholly owned subsidiary Vanguard Labs, Inc. to Medical Technology Systems, Inc. The exact terms of the pact haven't been disclosed, but it's expected that consideration will approach $3 million in cash. The closing is expected to conclude no later than June 30.

"The sale completes the process that was started with the sale of our wholesale drug business in the first quarter," said G. Gilmer Minor, III, president and ceo. He said the company plans to focus on the medical/surgical supply distribution business.

The anticipated sale will result in a non-recurring discontinued operations loss in Owens & Minor's second quarter estimated at $2.3 million net of income tax.

Vanguard Labs, located in Glasgow, Kentucky, had sales in 1991 of about $6 million. That number represents less than 1 percent of Owens & Minors' total sales for the year.

At McPerry, Robinson offers non-fat menu

When Jack Robinson talks about golden nuggets, he's not referring to deep-fried chicken pieces.

Golden nuggets are Robinson's nice, homey way of describing the retail strategies and action plans on which he wants Perry Drug Stores to concentrate.

A golden-nugget example: Last year Perry unleashed a pharmacy promotion in which the chain guaranteed it would beat any prescription price in town, or give the customer the prescription free. In the tough, competitive markets that make up Perry's backyard, that's an offer guaranteed to be heard above the noise. The result was a big (and sustained) uptick not just in pharmacy dollars but in prescription count. At Perry, pharmacy as a percentage of total sales is now approaching 50 percent.

IN THE MARKET
BRUCE BUCKLEY

Another golden nugget: A Wednesday Senior Savers Discount Club, whose members get 10 percent off on almost every product in the store. The upshot: a traditionally slow sales day has become the second busiest next to Saturday. More important, a key customer target group—seniors—now thinks of Perry with the nice warm feeling that comes from saving hard-earned income.

Robinson has a whole plateful of golden nuggets covering the strategies and action plans the chain has devised for improving its price image, for promoting certain core categories, and for the care and handling of customers and employees. These golden nuggets are a big reason that Perry is in the midst of a vigorous and prolonged energy surge. In the most recent quarter, same-store sales were up a robust 14 percent.

In Michigan Perry goes up against one of the sharper operators in the business: Arbor Drug. While Perry got sidetracked in the '80s with its forays into auto parts, home health care and deep discounting, Arbor was quietly sticking to basics. Its singleminded concentration on core categories, price image, technological efficiencies and spotless shopping environment propelled Arbor into the front ranks.

Though Perry never yielded market leadership, it undoubtedly heard footsteps. Robinson, relaxed and confident as Perry's star soars, told me no, it wasn't Arbor but Meijers, Wal-Mart, Kmart, F&M, and other big players that were the main test for his chain.

To get competitive again in the late eighties, Perry began to shed itself of the distractions like auto parts, deep discounting, health care stores and live pets. It also dropped its stores in Chicago, where it was never able to achieve the critical mass needed to survive against Walgreens, Phar-Mor and F&M.

Now the turnaround that began several years ago seems to be gathering steam. Perry has been making all the right moves:

- About 85 percent of its stores are freshly and attractively remodeled, and by the end of the year its "store of the nineties" rollout is expected to be complete.
- PerryLink, the on-line pharmacy network that makes patient files available in all stores, is in place chainwide.
- Perry's "falling prices" promotion has begun to shore up front-end sales by projecting a strong everyday low price image in the highly sensitive health and beauty care arena, where the chain was facing withering competition and flat to sagging sales.
- A POS scanning system is being installed and will be rolled out chainwide by the end of next year.

In short, Perry has put on weight, and it's not fat, but muscle. One of the main reasons is Robinson's menu of tasty golden nuggets.

Better reasons needed for Pharm.D. change

The Food Marketing Institute's recent pirouette on the issue of a mandatory entry-level Pharm.D. degree has focused fresh attention on proposals to revamp the educational curricula for future pharmacists.

That's good because, at a time when pharmacy is being counted on as a brake against runaway health costs, proposals that may impact the cost and availability of pharmacy manpower are of more than academic interest.

WASHINGTON PERSPECTIVE
KEN RANKIN

Unfortunately, the debate over the all-Pharm.D. concept has failed to address these issues.

Instead, the central focus right now is a curiously constructed joint statement by three national pharmacy organizations—APhA, NARD and AHSP—supporting the establishment of a "new" doctor of pharmacy degree that would replace the B.S. as the sole entry-level degree for all future U.S. pharmacists.

What's involved in this plan aside from a change in academic terminology? You'd be hard-pressed to answer that question based on the APhA-NARD-ASHP "joint statement."

The thrust of this new curriculum, according to the statement, should be to enable graduating pharmacists "to be responsible for the appropriate use of medications," and to "help people make the best use of medications."

There's no indication of how this would represent an improvement over the current pharmacy school curriculum, nor is there an explanation of how today's pharmacists are deficient in these respects.

As for the specific "characteristics of the 'new' doctor of pharmacy curriculum," the blueprint developed by the three pharmacy groups lists such items as:

- "development of skills in the selection, initiation and management of drug therapy";
- "development of professional pride and self-esteem;" and
- "encouragement of active roles in local, state and national organizations of the profession."

Those may be fine goals and objectives for the nation's pharmacy practitioners, but they're not a sufficient basis for making a decision on overhauling the educational requirements for health care providers.

It's not possible to even begin to evaluate the advantages and drawbacks of a universal Pharm.D. program without at least knowing the length of this proposed new mandatory entry-level curriculum.

Shifting to a six-year basic educational requirement could add tens of thousands of dollars to the cost of obtaining an entry-level pharmacy degree.

How many students would be discouraged from considering a pharmacy education by the extra costs associated with an additional year of schooling?

What's the likely long-term impact on pharmacy manpower and on the cost of pharmaceutical services to the public?

Since the joint statement studiously avoids any indication of the number of years required under this new entry-level program, it's not possible to address the important public policy issues surrounding the mandatory Pharm.D. concept.

An all Pharm.D. curriculum may well be defensible, desirable and even critically important to the health of the nation in the 21st century.

But it's up to the advocates of such a change to outline the benefits and costs of their proposal to the profession and to the public.

So far, they haven't done this.

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VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
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Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.**
(Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
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CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
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Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

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Longs 1st-qtr. sales up; net income decreases

WALNUT CREEK, Calif. — Longs Drug Stores posted a 6 percent increase in sales and a 3 percent decrease in net income for the first quarter. Sales for the period ended April 30, 1992 were $601,695,000, up from $569,224,000 for the same quarter last year. Net income declined from $14,070,000 to $13,693,000.

William Combs, vp of administration and corporate relations, said: "We are seeing some improvement in the economy and the consumer's buying habits. In the last several weeks, sales have been particularly strong." He noted that cost-containment efforts by the chain have begun to show results for the first time since the economy began to weaken.

Genovese reports sales rise, net income down in first qtr.

MELVILLE, N.Y. — Genovese Drug Stores reported a 3.9 percent sales increase in its first quarter ended May 22, 1992 to $138.1 million, up from $132.9 million sales in the same year-ago quarter.

Net income fell, however, to $1.3 million from $1.4 million in sales for the comparable period the previous year. Jerome Stengel, vp and treasurer, said the decrease was due to operating within leaner margins, a strategy Genovese had taken to remain competitive in a difficult market and economy.

Stengel said that earnings were helped by tight controls on operating costs. "Our operating expenses were up 1.9 percent," he said. "We kept a tight hold on operating costs by reducing inventories, which brought our interest way down."

Acquisition drives Vons' gains

ARCADIA, Calif. — The Vons Companies reported a 3.7 percent sales increase on $1.3 billion for the first quarter ended March 22, 1992, compared with $1.2 billion for the same period last year. The increase primarily reflects the January 1992 acquisition of 18 Williams Bros. Markets in California's central coast. Same store sales were up 0.3 percent over the comparable period last year. Gross margins increased to 24.8 percent compared with 23.7 percent, an increase attributed to the company's ongoing remodel and upgrade programs, use of promotional and other buying opportunities as well as the pass through of market-wide structural cost increases.

During the first quarter of 1992, the company opened one Vons food and drug store in Henderson, Nevada and completed seven remodels and one upgrade. To date, Vons operates 339 stores and is the largest supermarket operator in Southern California.

Moore's net income up, sales down

NEW BRITAIN, Conn. — Moore Medical Corp. announced sales for its first quarter ended March 28 were $76.1 million, down 10 percent from the same quarter one year ago, although net income jumped to $746,000 in the quarter compared with $257,000 in the 1991 quarter. "Sales were down because we lowered the discount on many products which served to make the prices higher," said John Murray, vp finance. That move cost the company some customers and the sale of many products which were yielding low margins."

Mark E. Karp, Moore's president and ceo, said the company decided in mid-1991 to "curtail sales of brand name pharmaceuticals at unacceptably low margins."

The bad news for sales proved to be a good move for income. The company sold less product, but at higher gross margins. Murray said the company's gross profit margin for the first quarter was 11.5 percent, the company's highest in two years. Margins for the same period in 1991 were at 10.3 percent.

Operating income, said Murray, was up $200,000 for the quarter.

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Vol. 14, No. 12 June 22, 1992

MARKET DIARY:

Largest Dollar Gainer	American Stores	$ 4.13
Largest Dollar Loser	Bristol-Myers Squibb	$ – 7.00
Largest Percentage Gainer	Bolar Pharmaceutical	42.25%
Largest Percentage Loser	Smith's Food & Drug	– 15.88%

Advances	21
Declines	38
Unchanged	4
New highs	1
New lows	9

	Close 5/26/92	Close 6/9/92	Net Change	Percent Change
Drug Store News Index	4633.45	4554.89	– 78.56	– 1.70
Dow Jones Industrial Average	3364.21	3369.92	– 5.71	0.17
Standard & Poor's 500-Stock Index	411.41	410.06	– 1.35	– 0.33
N.Y.S.E. Composite	226.86	225.95	– 0.91	– 0.40
Value Line Index	254.06	253.46	– 0.60	– 0.24

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 5/26/92	Closing Price 6/9/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.75	4.75	0.00	0.00	19	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	20.50	18.25	– 2.25	– 10.98	19	0.12	0.66	25.25	17.50
OTC	Big B	BIGB	13.50	12.00	– 1.50	– 11.11	13	0.20	1.67	16.25	10.63
OTC	Drug Emporium (L)	DEMP	6.25	6.00	– 0.25	– 4.00	—	0.08	1.33	9.25	5.00
NYS	Fay's Inc.	FAY	9.88	9.63	– 0.25	– 2.53	18	0.24	2.49	15.25	8.25
ASE	Genovese Drug (L)	GDX.A	9.38	8.38	– 1.00	– 10.67	9	0.24	2.87	14.75	8.13
NYS	Longs Drug Stores	LDG	34.13	34.50	0.38	1.10	13	1.12	3.25	44.38	33.13
OTC	Medicine Shoppe	MSII	25.75	24.00	– 1.75	– 6.80	17	0.36	1.50	30.75	19.00
NYS	Perry Drug	PDS	8.25	9.13	0.88	10.61	13	0.00	0.00	11.63	6.50
NYS	Rite Aid Corp.	RAD	21.13	20.25	– 0.88	– 4.14	14	0.52	2.57	23.75	17.25
NYS	Walgreen Co.	WAG	31.25	30.88	– 0.38	– 1.20	18	0.52	1.68	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	20.88	19.75	– 1.13	– 5.39	15	0.40	2.03	23.91	16.00
OTC	Bindley Western Ind.	BIND	16.88	15.50	– 1.38	– 8.15	9	0.04	0.26	20.75	13.50
OTC	Cardinal Distribution	CDIC	29.38	29.50	0.13	0.43	22	0.08	0.27	38.75	22.50
OTC	Durr-Fillauer	DUFM	21.75	22.00	0.25	1.15	15	0.28	1.27	32.75	17.50
NYS	FoxMeyer Corp.	FOX	13.25	13.25	0.00	0.00	13	0.28	2.11	16.63	10.75
NYS	McKesson Corp.	MCK	31.38	31.63	0.25	0.80	35	1.60	5.06	40.13	30.75
ASE	Moore Medical	MMD	6.38	6.63	0.25	3.92	22	0.00	0.00	7.38	3.00
NYS	Owens & Minor	OMI	18.13	17.50	– 0.63	– 3.45	18	0.24	1.37	24.25	15.25
Manufacturer's transactions											
NYS	Abbott Labs	ABT	32.63	27.75	– 4.88	– 14.94	21	0.60	2.16	34.88	24.56
NYS	American Home Products	AHP	74.25	69.88	– 4.38	– 5.89	15	2.60	3.72	86.25	59.25
ASE	Barr Laboratories (L)	BRL	9.63	8.88	– 0.75	– 7.79	19	0.00	0.00	37.50	8.50
NYS	Baxter International	BAX	37.38	35.38	– 2.00	– 5.35	17	0.84	2.37	40.88	31.50
OTC	Block Drugs Co.	BLOCA	48.50	46.50	– 2.00	– 4.12	15	0.88	1.89	61.00	45.00
ASE	Bolar Pharmaceutical	BLR	8.88	12.63	3.75	42.25	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb (L)	BMY	71.50	64.50	– 7.00	– 9.79	16	2.76	4.28	90.13	64.50
NYS	Carter-Wallace	CAR	29.00	27.50	– 1.50	– 5.17	28	0.32	1.16	45.84	20.53
ASE	Columbia Labs	.COB	5.88	5.50	– 0.38	– 6.38	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	20.50	20.13	– 0.38	– 1.83	15	0.28	1.39	24.38	16.88
ASE	Forest Labs	FRX	32.00	31.75	– 0.25	– 0.78	28	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	6.69	6.75	0.06	0.93	24	0.00	0.00	9.75	4.56
NYS	ICN Pharmaceutical	ICN	12.25	11.88	– 0.38	– 3.06	12	0.00	0.00	25.38	4.63
NYS	Johnson & Johnson	JNJ	47.75	45.13	– 2.63	– 5.50	10	18.40	40.78	117.38	45.13
ASE	Lee Pharmaceutical	LPH	1.38	1.50	0.13	9.09	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.88	14.88	0.00	0.00	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co. (L)	LLY	65.38	64.63	– 0.75	– 1.15	14	2.20	3.40	87.75	64.50
NYS	Marion Merrell Dow	MKC	32.25	32.75	0.50	1.55	15	1.00	3.05	39.00	27.25
NYS	Merck Co.	MRK	49.63	48.75	– 0.88	– 1.76	26	0.92	1.89	56.59	38.09
NYS	Mylan Labs	MYL	34.75	36.75	2.00	5.76	34	0.20	0.54	43.25	23.25
NYS	Novo-Nordisk	NVO	87.75	87.00	– 0.75	– 0.85	18	0.60	0.69	96.00	61.75
OTC	Nutramax Products	NMPC	10.00	10.25	0.25	2.50	26	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	71.50	69.63	– 1.88	– 2.62	32	1.48	2.13	87.00	55.50
NYS	Pharmaceutical Resources	PRX	6.00	5.50	– 0.50	– 8.33	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	57.13	55.38	– 1.75	– 3.06	22	0.64	1.16	69.38	41.25
NYS	Schering Plough	SGP	50.50	50.25	– 0.25	– 0.50	16	1.56	3.10	68.00	48.88
NYS	Syntex Corp. (L)	SYN	41.13	35.13	– 6.00	– 14.59	17	1.04	2.96	56.00	34.00
OTC	Taro-Vit Industries	TAROF	9.00	9.00	0.00	0.00	129	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	26.00	24.63	– 1.38	– 5.29	26	0.20	0.81	28.38	11.75
NYS	Upjohn Co. (L)	UPJ	34.38	32.88	– 1.50	– 4.36	11	1.36	4.14	47.88	32.50
NYS	Warner-Lambert	WLA	62.00	60.25	– 1.75	– 2.82	49	2.04	3.39	79.25	60.25
OTC	Zenith Labs (H)	ZENL	21.50	22.00	0.50	2.33	—	0.00	0.00	24.50	7.00
Other retailer transactions											
NYS	Albertson's	ABS	38.50	39.88	1.38	3.57	23	0.64	1.61	44.88	32.75
NYS	American Stores	ASC	30.63	34.75	4.13	13.47	11	0.68	1.96	42.50	26.00
NYS	Giant Food	GFS.A	20.00	20.75	0.75	3.75	14	0.68	3.28	30.25	19.75
NYS	Great Atlantic&Pacific Tea	GAP	31.38	31.88	0.50	1.59	17	0.80	2.51	46.38	25.00
NYS	Kmart	KM	22.88	23.25	0.38	1.64	12	0.92	3.96	27.50	19.06
NYS	Kroger	KR	17.88	16.75	– 1.13	– 6.29	14	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	46.13	44.75	– 1.38	– 2.98	14	1.48	3.31	52.00	38.25
OTC	Fred Meyer	MEYR	25.50	26.88	1.38	5.39	15	0.00	0.00	29.25	16.00
NYS	Penney, JC	JCP	64.75	65.63	0.88	1.35	27	2.64	4.02	69.38	47.13
NYS	Safeway (L)	SWY	14.13	12.00	– 2.13	– 15.04	21	0.00	0.00	20.25	12.00
NYS	Smith's Food & Drug (L)	SFD	34.63	29.13	– 5.50	– 15.88	17	0.44	1.51	43.25	29.00
NYS	Wal-Mart	WMT	51.75	54.13	2.38	4.59	37	0.20	0.37	59.88	41.88

Note: Abbott Labs and Kmart completed 2-for-1 stock splits.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Chains deliver value to earn consumer edge in the '90s

Focus on skin, sun and bath

By Elizabeth Parks

As the retail marketplace grows more and more competitive, chain drug stores are using every means possible to enhance their attractiveness to consumers.

Most chains realize that their greatest strength lies in the convenience of their locations as well as in their ability to get customers in and out of their stores fast.

In many instances, chain executives also think that it's equally important to give their customers a broad range of product selection, and, whenever possible, personal service, not just in pharmacy but in cosmetics as well.

But the problem today is that upper management in most of the competitive trade classes feel the same way. Whether it's Wal-Mart or Avon or a specialty chain like the Body Shop, everyone is trying to give the American shopper more value for the money.

Since no one chain can do everything perfectly, it is helpful to know exactly what the average American shopper wants most from the stores they patronize, and then to concentrate on giving them these top priority services as efficiently and consistently as possible.

To help chain drug stores develop a strategic edge in this very important area, Drug Store News five years ago began to sponsor an annual Consumer Beauty Care Buying Habits Study.

The study, implemented by the Princeton-based Gallup Organization, explores consumer attitudes toward brands and trends in hot categories like facial moisturizers, sun care, hair styling products and bath care.

It also monitors how often consumers shop drug stores for beauty care versus how often they shop competitors in other retail segments. This year's report includes a score card that tells how consumers rate drug stores versus the competition.

Gallup also got consumers to say what they want in a beauty care department and how drug stores perform in the areas most important to them.

GALLUP '92

Better variety, merchandising spurs facial care sales

The media's emphasis on looking young and healthy has helped make moisturizers and other skin products top sellers.

Facial care products have become one of the top growth categories of the 90's.

Brands as diverse as Clinique and Pond's Cold Cream are constantly being extended, relaunched, repositioned or revitalized with a "major technological breakthrough" through the magic of marketing, to appeal to a broader and often much younger market base.

The sun and the graying of the baby boom generation are responsible for some of this activity. Because of the media's emphasis on sun protection to avoid or minimize signs of aging or skin damage, women are buying a wide assortment of sun damage prevention products, almost always starting out with a moisturizer and then, in more cases, moving on to add toners, cleansers, rehydrating lotions and other products to their regimen.

The media puts a tremendous stress on youthfulness and the importance of a healthy life style to enhance the quality of one's life, and that has also done wonders to fuel the growth of skin care products.

All types of retailers—from drug stores to mass merchandisers to food stores to cosmetic specialty shops—have targeted facial care consumers. More than ever, they've expanded and advertised their product assortment, spruced up their merchandising presentations and offered bonus sizes, free samples and other extra values to attract these more educated consumers.

Consumer penetration, usage

It's easy to see why the category has been so dynamic. All these outside forces have conspired to give facial moisturizers an extremely large user base and an extremely high use-up, replenishment rate. In this year's Consumer Buying Habits Study, Gallup discovered that 69 percent of all women had used a moisturizer in the course of the past month.

To show how passionate many women are about moisturizers, 53 percent of all users said they soften their face at least once a day, while 35 percent confirmed they use a moisturizer on their face more than once a day.

Many women now carry moisturizers in their briefcases and gym bags, and each time they wash their face, they rehydrate it with moisturizers.

New activity fuels growth

Of course, manufacturers have done their part to fuel the category. In the past three years or so, women have been exposed to more advertising for moisturizers than ever before. One company, Cosmair, spent over $16 million to launch L'Oréal Plénitude.

Major companies like Procter & Gamble (Oil of Olay, Noxzema and Clarion) and Unilever (VIC and Pond's) regularly advertise their brands in all major media vehicles, while smaller companies like Neutrogena or the Almay division of Revlon carefully niche their market and target their advertising where it will have maximum impact.

On top of this, door-to-door and direct marketing companies like Avon and Mary Kay have also been very active in the category. Their sales representatives spend hours meeting with consumers explaining how their newest formulas will ward off visible signs of aging without costing an arm and a leg.

If some women aren't comfortable buying skin care products unless they are pricey, there are always Clinique and Estée Lauder, the two dominant skin care brands in prestige department stores.

Distribution patterns change

Now, some of the Lauder and Clinique moisturizers are trickling down into a select circle of mass market stores to reach an even broader market, and chains like Wal Mart, Drug Emporium and Genovese are giving greater distribution to the more expensive lines to enhance their own cosmetic image while simultaneously satisfying their customers by making these brands convenient and often less expensive to acquire.

Still, it's interesting to note that facial moisturizers, unlike fragrances, have not become a "status category."

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Moisturizers are frequently used products and the frequency is growing

	Percentage of women using a moisturizer 1992	Percentage of women using a moisturizer 1991
More than once a day	35%	24%
Once a day	53	54
Less often	12	22

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

The media puts a tremendous stress on youthfulness and the importance of a healthy lifestyle to enhance the quality of life, and that fueled the growth of skin care products.

Merchandising, variety spur facial care sales

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The department store fragrance lines, like Obsession, Eternity and Passion, are growing mush faster than their mass market counterparts.

Value, not fantasy

In skin care, however, women have a preference for affordable brands with a respectable image and proven effectiveness.

Gallup discovered, for example, that many moisturizer users, 47 percent, choose a mass brand when they buy a moisturizer. Then, as women get older, they experiment with department store brands more frequently than before. Twenty-three percent of women 65 and older and 20 percent of women 50 to 64 said their favorite moisturizer was a department store brand, compared to 8 percent of women 35 to 49.

Door-to-door brands are weakest with the older age groups. Only 10 percent of users 65 plus said their brand of facial moisturizer was a door-to-door brand compared to 19 percent of users 35 to 49 and 18 percent of users 18 to 34.

Since, after Olay, the Mary Kay door-to-door brand was the second most popular brand, it is interesting to note that it drew its strength from its popularity with women 18 to 49.

Fourteen percent of women 18 to 34 and 11 percent of women 35 to 49 named Mary Kay as a favorite brand compared to just 2 percent of women 65 and older who gave this response.

It is very likely that Mary Kay and other door-to-door sales reps are just not reaching older women as much or as often as they are reaching other segments of the female population. To a certain extant, Avon displayed a weakness with younger users. Just 3 percent of women 18 to 34 said Avon was their favorite brand compared to 11 percent of women 50 to 64 who picked Avon. Meanwhile Olay, which has the broadest possible distribution and impactive advertising, was favored by all the various age segments almost equally.

Interestingly, Neutrogena, which has a much smaller advertising budget than Olay, emerged as the second most popular mass market facial moisturizer. Neutrogena ranked fifth in popularity, ahead of Estée Lauder, Ponds, VIC, Noxzema, Revlon and Almay.

Like Mary Kay and Avon, Neutrogena tries to satisfy its customers' informational needs. Not through service assistance, but by advertising in ways that carefully describe the different products and their various end user benefits.

Single product or regimen?

Still, with all the fuss that women are making today over skin care, they continue to have the idea that one product will do for all their needs.

Just 27 percent of all users said they used a full regimen of products, toners, cleansers, etc., rather than just one single multi-purpose product. The vast majority of women, 72 percent, said they use only one product for all of their skin care needs. It seems that there is still a long way to go before American women adopt the regimen skin care approach so common in overseas countries.

But with all the action happening in this category, it is hard to believe that day isn't coming—and probably sooner than we think.

Favorite brands of moisturizer: Mass brands are growing in popularity

	All women 1991	All women 1992	Among women within these age groups			
			18-34 1992	35-49	50-64	65 Plus
Oil of Olay	22%	21%	20%	24%	23%	19%
Mary Kay	10	10	14	11	5	2
Clinique	7	8	10	4	7	10
Avon	11	7	3	8	11	8
Neutrogena	1	4	5	2	2	5
Estée Lauder	5	3	0	2	10	5
Pond's	1	3	0	1	5	11
Vaseline Intensive Care	1	3	2	4	2	4
Revlon/European Collagen	2	3	1	1	1	8
Noxzema	0.3	2	5	1	0	0
Almay	1	2	1	3	2	2
Lubriderm	0.4	2	1	2	2	2

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

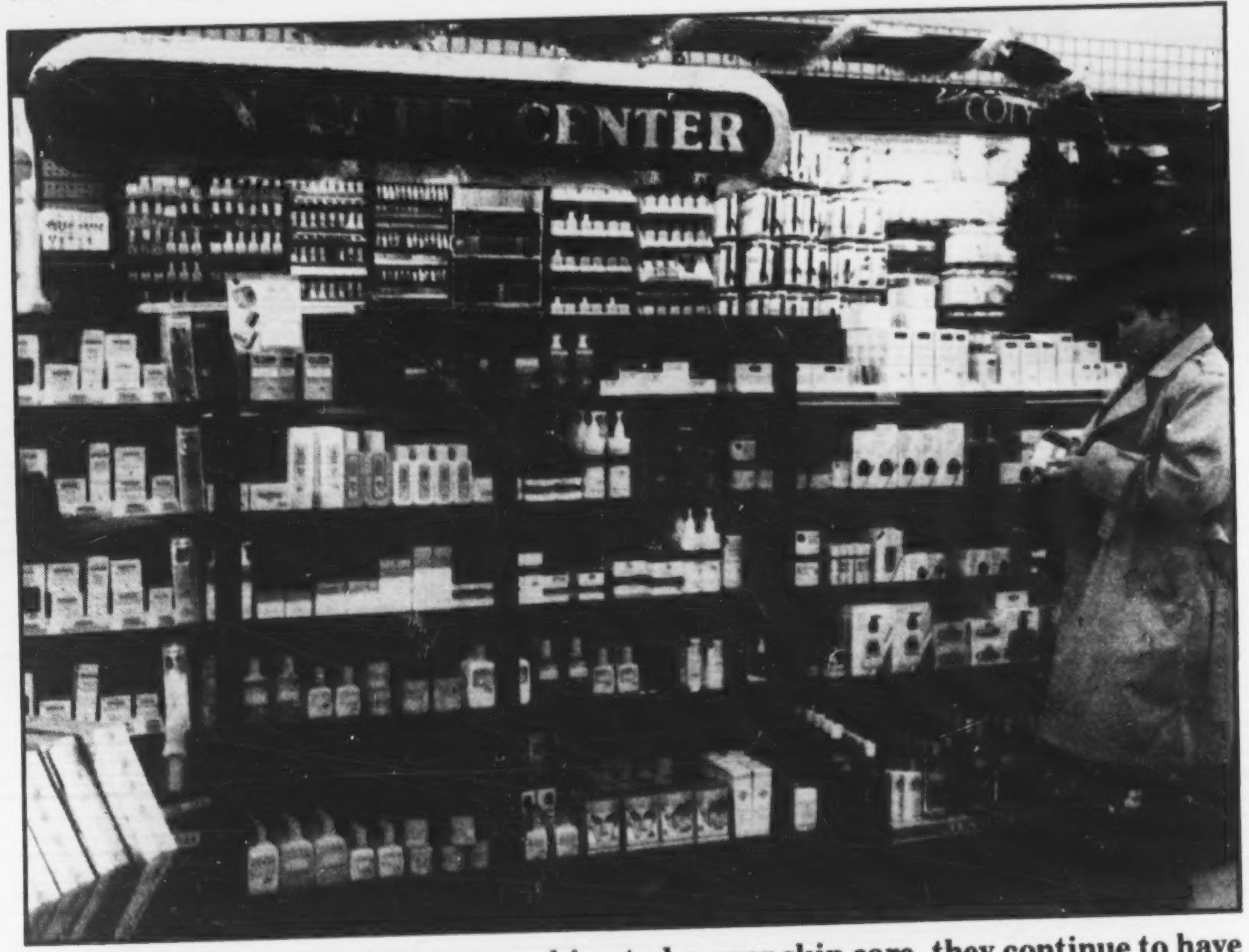
Most women name a mass market brand as their favorite

	All women 1991	All women 1992	Among women within these age groups			
			18-34 1992	35-49	50-64	65 Plus
Mass market brand	40%	47%	47%	48%	47%	52%
Department store brand	20	14	13	8	20	23
Door-to-door brand	22	17	18	19	16	10

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Many women, especially young and active women, carry moisturizers in their briefcases and gym bags, and each time they wash their face, they rehydrate it with moisturizers.



With all the fuss that women are making today over skin care, they continue to have the rather simplistic idea that one product will do for all their needs.

Face care sales' full potential awaits in drug stores

Drug stores are where most women buy facial care products, but even though drug stores capture the dominant share of sales in this category, they still have enormous potential to build this business into an even stronger franchise.

According to the Gallup study, 37 percent of all women who use moisturizers buy their brand "most often" in a drug store.

Approximately half, 47 percent, of all women who use a moisturizer, however, choose a mass brand like Oil of Olay or Neutrogena as their favorite brand, and out of this universe of mass brand users, only six out of 10 buy their mass brand in a drug store.

Three out of 10 women who buy mass brands are picking up their favorites in a food or a discount department store, and the remaining percent are buying elsewhere (i.e. mail order, Mom and Pop corner store, beauty supply shop, etc.)

Since four out of every 10 mass brand users are shopping for moisturizers somewhere other than a drug store, this can be seen both as a threat and an opportunity.

Food stores and discount department stores, particularly, are taking share away from drug stores, but knowing that this is a trend can help drug stores become more competitive.

The value of older customers

Gallup discovered that drug stores are capturing more moisturizer sales from women 65 and older than they are from younger women.

Forty-eight percent of all moisturizer users who are 65 and older buy their favorite facial moisturizer brand in a drug store. Only 13 percent make such a purchase in a discount store and only 1 percent buy a facial moisturizer in a food store.

Older women, of course, use a lot of prescription and remedial products and drug stores have invested heavily in making their pharmacy departments comfortable and friendly places in which to shop.

They are also very careful to keep their prescription prices competitive, and they make it a priority to always give their customers helpful, friendly service.

'Halo effect' of pharmacy

These things matter to consumers very much and so the expertise that drug stores have cultivated in their pharmacies seems to have a halo effect on their other departments.

As top drug chains have proven over and over again, once they have the pharmacy shopper in their store, waiting for a prescription, they have opportunities to generate all kinds of impulse sales in other categories.

Now the challenge is for drug stores to make other select key departments, such as cosmetics, photo finishing, greeting cards, convenience foods, etc. as attractive as they've made the pharmacy department.

That would help bring in more

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The graying of the baby boom generation is partly responsible for some of the strong growth in the dynamic face moisturizer category.

Where women who use mass brand moisturizers buy most often

	All women who use moisturizers 1991	All women who use moisturizers 1992	All women who use a mass brand 1991	All women who use a mass brand 1992
Regular drug store	19%	19%	31%	31%
Deep discount drug store	14	18	27	29
Net drug stores	33	37	58	60
Door-to-door	24	19	0	0
Department stores	21	17	0	0
Food stores	5	9	8	15
Discount stores	9	9	15	14
Specialty cosmetic stores	4	3	0	0
Mail order	2	2	0	0

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Where women shop most often for moisturizers
Broken out by age groupings

	All women 1991	All women 1992	Among women within these age groups 18-24 1992	35-49	50-64	65 Plus
Regular drug store	19%	19%	21%	15%	18%	23%
Deep discount drug store	14	18	14	20	14	24
Net drug stores	33	37	36	35	32	48
Door-to-door	24	19	21	21	18	12
Department stores	21	17	18	13	22	17
Discount stores	9	9	6	9	9	13
Food stores	5	9	10	12	8	1
Specialty cosmetic stores	4	3	4	2	5	0
Mail order	2	2	1	2	3	3
Health stores	0	1	0	3	0	1

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

What women spend when they buy by brand type

	All moisturizers	Mass brand	Department store brand	Door-to-door brand
Mean	$13.36	$11.13	$22.31	$11.50
Median	8.00	6.00	20.00	10.00

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

What women generally pay for moisturizers based on age groupings

	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50-64	65 Plus
Mean	$10.70	$13.36	$15.86	$11.68	$16.50	$11.52
Median	7.00	8.00	7.00	8.00	8.00	6.00

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Consumer awareness grows with mass brand popularity

As women get older, they experiment with department store brands. Twenty-three percent of women 65 and older said their favorite moisturizer was a department store brand, compared to 8 percent of women 35 to 49.

Last year, Oil of Olay was ranked as the most popular facial moisturizer brand in the *Drug Store News*/ Gallup Consumer Buying Habits Study, but it was the only mass brand to make it into the Top Six.

This year it is still No. 1, but now it has company, as a number of mass brands inched up in popularity.

Neutrogena, for example, elbowed past Estée Lauder and Lancôme to become the study's fifth most popular moisturizer brand.

Unilever's Ponds and VIC Intensive Care Lotions and the Revlon skin care line, which includes European Collagen Complex, tied with Estée Lauder for the sixth slot, and Noxzema, Almay and Lubriderm, all tied for the seventh spot ahead of Lancôme.

For some time now, skin care buyers have been reporting that their sales of facial moisturizers have been steadily, sometimes dramatically, increasing and they frequently attribute part of that growth to women switching from department store brands to mass market brands like Plenitude, Olay, Revlon, Almay, Neutrogena and Lubriderm.

Many buyers are convinced that the formulas for mass brands work just as well as the formulas for department store brands, and they say that the average woman thinks this as well.

Drug store skin care buyers also point out that their stores are easier to shop and more convenient than department stores.

And now that many department stores are cutting back on service and experimenting with self-service fixtures, they are losing one of the few last advantages they had over drug and other mass merchandise stores.

When women are asked to pay $20 to $50 for a skin care item, they want someone behind the counter to tell them why the product deserves to cost this much—what its benefits are.

A mass brand like Olay or Neutrogena, on the other hand, is not anywhere near as expensive, has a much simpler story to tell, has a tradition of excellence and is more widely and frequently advertised than department store brands.

So it's not a surprise to find Olay continuing to dominate the category, or to learn that other mass brands are broadening their base of users at the expense of the Lancômes and Lauders.

Many buyers are convinced that the formulas for mass brands work just as well as the formulas for department store brands.

Drug stores draw most face care buyers

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younger shoppers, the teens with all their beauty aid needs in mind, the young mom or working women interested in convenience and low prices on every day necessities, the sophisticated shopper who appreciates selection and service help when it's needed.

Drug stores might also want to rethink their strategy for merchandising facial moisturizers.

Right now, the strongest presentation, in most chains, is in the toiletries department. And the brands with the broadest consumer following are always merchandised in this section: Olay, Neutrogena, Ponds', VIC, etc.

But 67 percent of moisturizer users in the Gallup Beauty care survey said they expect to find moisturizers in the cosmetics department. Only 26 percent said they expect moisturizers to be displayed with toiletries.

It seems logical that drug stores could increase the visibility of the category, expose it to more traffic and more impulse buying opportunities if they created a skin care center inside cosmetics, and merchandised the bulk of their moisturizers there.

Many chains have experimented with such centers and the general response has been positive.

Overall customers react positively to a skin care center and it has often helped increase sales on related items, since a family presentation within a skin care center makes it easy for customers to buy other types of products from the same family.

The trade-off is that some customers have been confused by the centers and some cosmetic family lines like Almay and Clarion suffer when their skin care products are merchandised off the wall away from the color family in the line.

Another problem, of course, is space, but the upscaling of the skin care category, together with the expectations of customers that skin care is a cosmetic department, seems to call for such an approach.

As Gallup discovered in this year's survey, price points on moisturizers are going up. Last year, a moisturizer user spent an average $10.70 for a facial moisturizer. This year, she spent $13.36. The average for a mass brand was $11.13.

Since women expect to spend more money on a cosmetic purchase and less on a toiletry purchase, it also makes sense to merchandise a broader assortment of skin care items in the cosmetics department.

Since, according to Gallup, women spend an average $22.31 on department store lines, the $11.13 they would spend on average in a drug store cosmetic department would still seem like a value to them.

But if they spent that same money in the toiletry department of a drug store, where competition has caused so many chains to cut margins and lower prices, they might feel taken advantage of.

To some shoppers, many products in a toiletry department are simply commodities.

But to most women, products merchandised in cosmetics are special. Therefore higher price points are easier to justify.

Missed opportunities

71% of women who buy their moisturizers most often from other types of trade stores say they never buy their moisturizers in drug stores.

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

Most women use single products rather than a skin care regimen system

	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50-64	65 Plus
Use a regimen	30%	27%	26%	35%	27%	17%
Use one product	63	72	74	65	71	83

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Sun care products viewed as a necessity; used by all ages

Once upon a time, the sun was our friend, and men, women and children lusted for a chance to bask in it.

Not anymore, of course, since worries about the disintegrating ozone layer and fears about ultra violet rays have turned Old Sol into the skin care category's version of Public Enemy No. 1.

In talking to consumers for this year's Purchase Buying Survey, Gallup found that in the past year, 44 percent of Americans had used some type of sun care product.

In the western part of the country, where intense sunlight is a year-round phenomenon, 49 percent of all residents had used a sun care product in the past year.

The heaviest users, 52 percent, were between the ages of 25 and 49. Men were almost as likely as women to use them. Forty-one percent of men and 47 percent of women said they were users.

Clearly, sun protection products are not viewed as cosmetic or beauty enhancement items. As anyone who has ever experienced a severe sunburn knows, sun blocks are truly prevention products, and therefore not limited in their appeal by sex or age.

Popular brands

Forty-seven percent of all users said they bought a mass brand most often, and this makes sense since there has been a long-standing popularity of such proven brands as Coppertone, Hawaiian Tropic and Bain de Soléil.

In this category, there was clearly a dominant leader: Coppertone, named by 26 percent of all men and 15 percent of all women as their favorite brand.

Door-to-door brands were not really contenders in this category, and in department stores, only Estée Lauder was mentioned often enough to make our list of the top six highest ranked brands.

But while 20 percent of users named Coppertone as a favorite brand, only 3 percent picked Lauder.

Despite the fact that mass merchandise stores and food stores have been beefing up space allocations for sun care, most consumers—49 percent—still bought their favorite brand in a drug store. Fifty percent of all men and 47 percent of all women said this was where they most often bought it.

Drug stores, of course, carry an extensive collection of sun care brands, particularly during peak season. They are also much more convenient to shop than other types of store outlets.

Chain drug sun care buyers also say that consumers often have questions about which brand to buy or what SPF factor is right for their skin, and so it helps, they say, to have a pharmacist or a cosmetician handy who can help shoppers solve these problems.

Sun care products aren't viewed as cosmetic or beauty enhancement items. As anyone who has ever experienced a severe sunburn knows, they're truly prevention products and not limited in their appeal by sex or age.

Favorite brand of sun care product

Brand	Total	Men	Women	Consumers within these age groups 18-24	25-34	35-49	50 Plus
Coppertone	20%	26%	15%	29%	26%	17%	11%
Hawaiian Tropic	5	6	5	8	5	9	1
Bain de Soléil	5	2	7	5	6	4	3
Johnson & Johnson	5	6	3	1	7	4	5
Avon	4	0	6	2	1	7	2
Estée Lauder	3	2	4	3	2	3	5
Mary Kay	2	0	4	4	3	3	1
Shade	2	1	3	4	2	0	4
Store brand	2	2	1	0	2	2	1

Base: Consumers who used a sun tan or sun protection products in the past year.

Source: *Drug Store News*/Gallup 1992 Consumer Survey

Where consumers most often buy sun care products

Trade class	Total	All Men	All Women	Among consumers in these age groups 18-24	25-34	35-49	50 Plus
Regular drug stores	25%	29%	22%	24%	21%	23%	33%
Deep discount drug stores	23	21	25	20	25	25	21
Net all drug stores	49	50	47	44	46	49	54
Food stores	18	24	13	32	22	15	10
Discount stores	13	14	13	5	16	16	12
Department stores	7	3	10	6	4	5	10
Door-to-door	6	0	12	6	4	10	6
Tanning salon	1	1	1	0	1	1	0
Specialty cosmetic stores	1	1	1	0	2	0	0

Base: Consumers who used a sun care product in the past year.

Source: *Drug Store News*/Gallup 1992 Consumer Survey

Mass market sun care brand is the most frequent choice

Type of brand	Percentage who say they use it most often
Mass brand	47%
Department store brand	4
Door-to-door	6

Base: Consumers who used a sun tan or sun protection products in the past year.

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Percentage of Americans who have used sun care products in the past year

44%

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Men and women are similar in their use of sun tan and sun protection products

Percentage who purchase Total	Men	Women	Consumers in these age groups 18-24	25-34	35-49	50-64	65 Plus
44%	41%	47%	45%	52%	52%	40%	23%

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Bath care sales reflect more than cleansing

The bath and body category, like facial moisturizers, is growing in popularity with American women. According to the latest *Drug Store News*/Gallup Consumer Buying Habits Survey, 67 percent of all American women use some type of bath care product other than soap.

Twenty-six percent use a bath additive such as an oil, lotion or bath beads; 23 percent use a shower gel or lotion, and 50 percent use some type of after-bath care product such as body oils, lotions, creams or dusting powders.

Just as the growth in facial moisturizers is propelled by a desire to look young and keep skin healthy, bath care sales are also fueled by these factors. But in bath care, there is a growing consumer perception that the bathing ritual is more than just a cleansing routine, it is an opportunity to reduce stress and pamper oneself.

Where women most often buy bath additive or shower products

Trade class	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50 Plus
Deep discount drug stores	18%	22%	22%	32%	15%
Regular drug stores	17	13	13	11	15
Net all drug stores	35	35	35	43	31
Door-to-door	20	20	24	12	20
Discount stores	16	15	14	15	14
Department stores	9	10	9	2	18
Food stores	13	9	6	13	11
Specialty cosmetic stores	2	6	9	9	0

Base: Women who ever use bath additives or shower gels.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Bath & the spa mystique

Many bath product manufacturers use a spa image or a spa theme to explain to potential customers that the bath and the ritual application of lotions and creams that accompany it can be good for mind as well as body.

Bristol-Myers, which markets Keri Lotions for the Westwood Co., recently kicked off an entire marketing and advertising campaign built around the theme "Living The Spa Life At Home."

For the promotion, Bristol-Myers Products partnered Keri Lotion with one of the country's most prestigious resorts, the Green Valley Spa in Utah.

Bath Products
4

The positioning that most bath and body lines take suggests that using these products will help soothe, relax or pamper those who are tired or stressed in body or mind.

Together Keri and Green Valley produced a free consumer booklet called "A Guide to Living The Spa Life At Home," and in the introduction the booklet informs consumers that while they may not be able to get away for a week's stay at a health spa, "many elements of the spa life can become part of everyday living."

The booklet goes on to tell readers how to enjoy an aromatic bath at home using such props as loofas (another dynamic growth category in drug and discount stores), a tape of soothing, instrumental music, perfumed candles, fresh flowers, a soft inflatable pillow, thick luxurious towels, a comfortable terry cloth robe, and, of course, an Alpha Keri cleansing bar, Alpha Keri Moisture Rich Body Oil, and Keri Silky Smooth Daily Moisturizing Lotion for after the bath.

While Bristol-Myers to date has been the most direct in forging a link with the spa lifestyle, many other bath care manufacturers play on the same theme, in their packaging, point-of-sale materials, displays, advertising and product formulas.

Think of the packaging and displays for La Loren's Sarah Michaels bath line and loofas or Del Labs Naturistics and Delagar's Natural Essence bath and body lines, or of the packaging and advertising for lines like Jean Naté, Vita Bath, Neutrogena, Yardley, Soft Soap's Effervescing Bath Tablets, the European bath line, Fa, Spa loofas, etc.

The positioning that almost all the bath and body lines take these days suggests that using these products will help soothe, relax, energize or pamper those who are tired or stressed in body or mind.

Value-priced bath care

There is also growth in another key segment of the bath category: the value priced lines like Calgon or VIC Bath Beads, and in the children's lines like Care For Kids or Mr. Bubble.

While Calgon and VIC currently dominate the low price, commodity end of the bath additive/shower gel category segment, excluding these two brands, the rest of the category is fragmented, suggesting that there is an opportunity for new players with plenty of advertising support behind them to fuel growth even more dramatically.

Popular bath brands

In terms of consumer popularity, Gallup found that the bath additive category's strongest brand isn't even a mass brand.

It is Avon, a door-to-door brand, and it is, with a 25 percent popularity rat-

Continued on page 69

The types of bath products consumers use most

Type	All women 1991	All women 1992	Among women within these age groups 18-24 1992	25-34	35-49	50-64	65 Plus
After bath/after shower (dusting powders, body oils, lotions, etc.)	56%	50%	53%	53%	53%	48%	42%
Bath additives	27	26	38	24	22	36	16
Shower gels	14	23	25	29	24	24	10

Base: among women who use bath products.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Favorite brand of bath additive or shower gel

Brand	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50 Plus
Avon	33%	25%	27%	17%	30%
Calgon	5	9	7	12	10
Vaseline Intensive Care	4	7	8	1	10
Neutrogena	7	6	9	7	1
Vitabath	2	4	1	9	3
Johnson & Johnson	6	1	2	3	0
Jean Naté	1	1	2	2	0
Aveeno	0	1	0	2	2
Nivéa	1	1	3	0	0
Soft Soap's Village Bath Effervescing Tablets	0	1	1	1	0

Base: Women who ever use bath additives or shower gels.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Bath care reflects more than cleansing sales

Continued from page 67

ing in the Gallup survey, as strong a brand in this category as Olay is in facial moisturizers.

But in the year since Gallup last looked at the bath care category for *Drug Store News*, there has been some slippage in Avon's popularity.

In 1991, Gallup found that 33 percent of the women in the study named Avon as their favorite bath additive or shower cleanser. This year, that percentage dropped eight points, and picking up the slack were mass brands, particularly Calgon and VIC, up four and three points in 1992.

In 1992, 9 percent of the women Gallup surveyed named Calgon as the brand they used "most often" and 7 percent named VIC.

Benckiser, which owns Calgon, and Unilever, which owns VIC, both have the resources to grow their brands even more dramatically in the coming months, and both companies have gone on record saying that they do intend to support their core brands very strongly and for the long term life of their brands.

It is interesting that the chief competitor for bath care sales are the door-to-door companies like Avon or Mary Kay rather than department stores or even specialty stores like the Body Shop.

Competition: bath care sales

Twenty-five percent of the respondents named a door-to-door brand as the one they used most often. Avon and Mary Kay, of course, are much more national in their reach than specialty chains like the Body Shop with primarily very localized, regional distribution.

Only a quarter of the women in the study reported they bought a "mass market bath brand" most often, and because these brands are in so many distribution channels, the competition is stiffer.

Thirty-five percent of the women who used bath additive and shower gel products told Gallup that they bought these products most often in a drug store; another 20 percent said door-to-door and 15 percent said a discount mass merchandise store like Kmart, Wal-Mart or Target.

Who will dominate bath care?

It is clear that bath care is and will remain a growth business for the '90s, but what isn't so clear is what type of trade class will ultimately dominate the category.

Door-to-door companies have done a great job with this category, but today are facing more competition from mass market trade classes than ever before.

Both traditional drug stores, deep discount drug stores and mass merchandise stores like Wal-Mart and Target are going all out to become destination stores for bath care shoppers.

Except for Rite Aid, just about every major drug and discount chain is expanding its space allocation for bath care products. Large stores with space like Wal-Mart, Target, Drug Emporium and F&M have created bath care centers with expanded space for loofa lines like Spa, Lady Elizabeth, Sarah Michaels, as well as for the new soaps, oils, creams and gels that are now emerging in the market.

Door-to-door bath brands high in popularity

Type of brands	Percentage who use it most often
Mass market brand	27%
Door-to-door brand	25
Department store brand	4
Other	36

Base: Women who ever use bath additives or shower gels.
Source: *Drug Store News*/Gallup 1992 Consumer Survey.

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How well drug stores meet consumer needs

Because it's so important to understand why shoppers pick one type of store over another, at *Drug Store News*'s request, the Gallup Organization asked facial moisturizer users why they chose to shop their preferred store vs. other alternatives available to them.

From that question, Gallup developed a value index that clearly shows what was "very important" to facial moisturizer users and what was only incidentally important.

Gallup also asked the women who were moisturizer users to rate the various trade classes on how well they performed in providing what shoppers said was important to them.

By comparing the performance index for the trade classes studied against the value index of what is "very important," what develops is a very clear picture of how well each trade class manages to satisfy a shopper's basic needs.

What the average customer considers "most important." For example, the value index clearly demonstrates the high value women shoppers placed on price, customer service, the convenience of store location and on fast, efficient service.

Against the 100 that Gallup used as its average index, competitive pricing, for example, was ranked 65 points over average. Customer service, store location and fast service were all 40 points or more over the average. Least important were store decor and colorful displays, ranked 30 and 35 respectively.

Shoppers seem to take it for granted that most stores will have a good variety of brands to choose from, and that they will carry nationally advertised brands, because, at 90 and 85 respectively, the index for these two attributes show that consumers rate them at about average importance.

It appears that giving consumers free samples is a nice gesture but not of any great importance. With a base index of 75, the willingness of a store to distribute free samples of, in this case, facial moisturizers, was less than average importance to women who used moisturizers.

Store location

However, women want stores to be convenient, and on this measure, drug stores clearly outshone the competition. Compared to food, discount and department stores, drug stores generated the highest performance index. In terms of value or high importance, store location had an index of 140. Consumers gave all drug stores a performance index of 173 while regular drug stores like Walgreens, Eckerd and Osco earned the highest rating in the survey: 185.

Customer service

But while drug stores were able to score points on store convenience, they lost some of that advantage when it came to providing customer service, another variable that turned out to be "very important" to shoppers.

Service was so important to custom-

Continued on page 72

The services that most consumers want

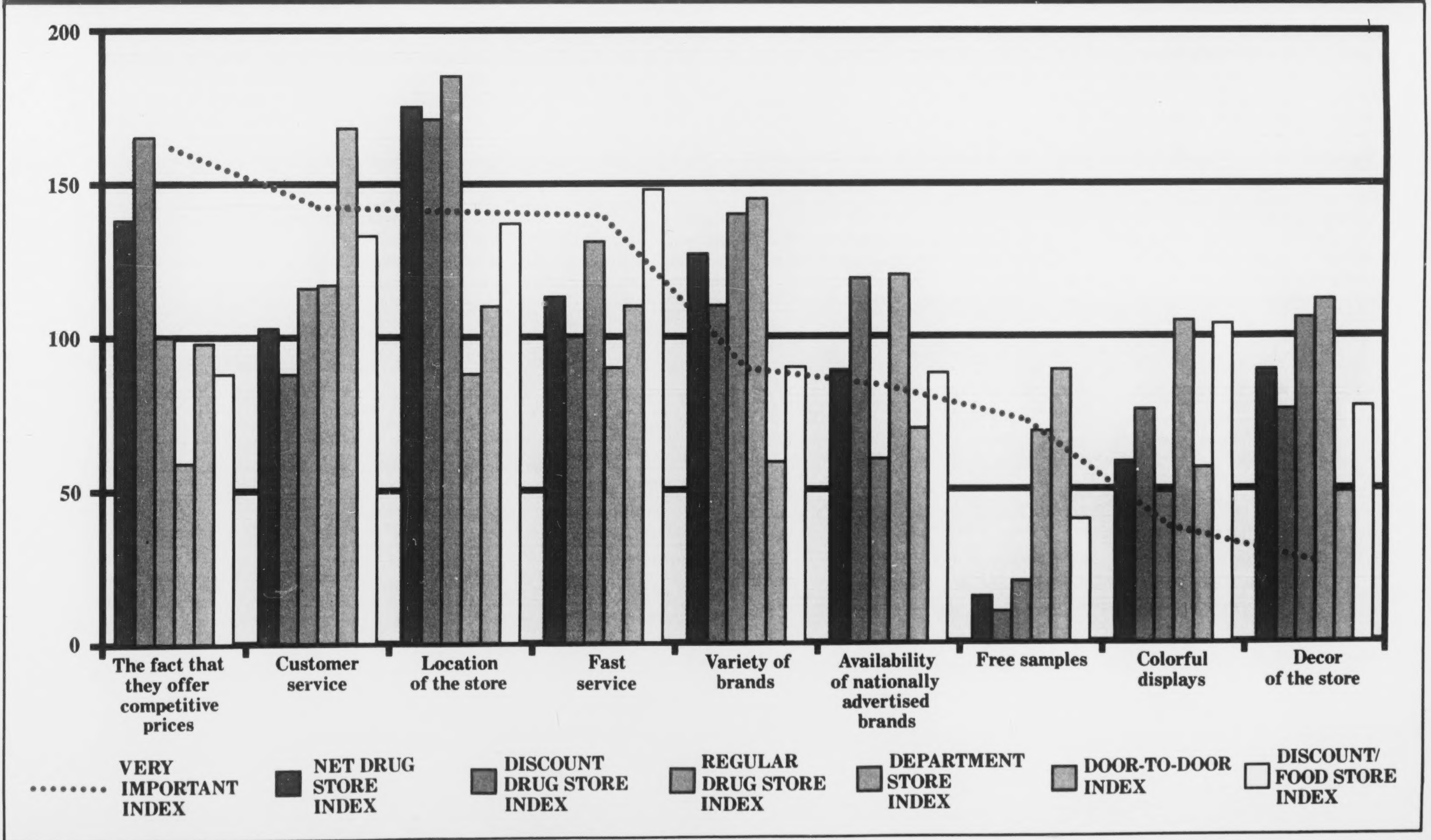
Attributes	Importance* index
Competitive prices	165
Customer service	142
Store location	140
Fast service	140
Variety of brands	90
Availability of nationally advertised brands	85
Free samples	75
Colorful displays	35
Store decor	30

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

Index of importance and place of purchase ratings



How drug stores fare in satisfying consumer needs

Continued from page 71

ers, that it achieved a 142 average index. To customers, the drug store industry simply does an average job of providing service, and customers think deep discount drug stores are below average in this important respect.

Customers rated traditional drug stores like Walgreens, Eckerd and Osco somewhat higher on service (index of 115 compared to 86 for discount drug stores), but even though the index rating was above average, it wasn't high enough to meet and surpass customer expectations. Based on the response from the women in the survey, customer service attained a 142 value index. With a 101 performance index, drug stores are below the mark when it comes to fully satisfying consumer needs on this important dimension.

Door-to-door competitors, on the other hand, are way above average in delivering service. Their index rating was even higher than customers expectations: 162 as an index of performance vs. 142 as a customer-valued priority.

Even department stores couldn't come close in beating door-to-door operators on service. That helps explain why the Avon and Mary Kay brands were mentioned so frequently when customers were asked to name the brands they used "most often."

Competitive prices

Retailers know that price is important to shoppers, but the Gallup value index shows just how very important this measure is. Competitive prices had the highest value rating in the survey: an index rating of 165. During these trying economic times, it seems that consumers are very serious about prices. They want value.

In recent years, drug chains have clearly felt the painful impact of low price competitors invading their markets. The Gallup value/performance index clearly illustrates why deep discounters like Drug Emporium, F&M and Phar-Mor have become such a threat. They were the one trade class that consumers rated very high on the measurement they said mattered most to them. Competitive prices had a value index of 165. Deep discount drug chains had an in-

Continued on page 79

How drug stores performed in total

Attributes	Importance index*	Performance index net drug
Store location	140	173
Competitive price	165	137
Variety of brands	90	122
Fast service	140	112
Customer service	142	101
Availability of nationally advertised brands	85	90
Store decor	30	90
Colorful displays	35	61
Free samples	75	11

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How deep discount drug stores performed in total

Attributes	Importance index*	Performance index Discount drug
Competitive prices	165	169
Store location	140	166
Availability of nationally advertised brands	85	115
Variety of brands	90	105
Fast service	140	99
Customer service	142	86
Colorful displays	35	77
Store decor	30	77
Free samples	75	6

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How regular drug stores performed in total

Attributes	Importance index*	Performance index Regular drug
Store location	140	185
Variety of brands	90	140
Fast service	140	128
Customer service	142	115
Store decor	30	107
Competitive prices	165	99
Availability of nationally advertised brands	85	62
Colorful displays	35	49
Free samples	75	16

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How department stores performed in total

Attributes	Importance index*	Performance index Department stores
Variety of brands	90	144
Customer service	142	116
Availability of nationally advertised brands	85	116
Store decor	30	114
Colorful displays	35	104
Fast service	140	93
Store location	140	86
Free samples	75	68
Competitive prices	165	58

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

Satisfying consumer needs: how drug stores fare

Continued from page 72

dex of 169. They were above average where it mattered most.

Unfortunately, because the base of discount stores in this sample wasn't large enough to be measured separately, Gallup had to combine discount stores with food stores to include them in this profile. Looked at in conjunction with food stores, the two trade classes had a base index of 86 on prices.

We believe that, measured separately, discount stores would have generated a much higher performance index. Our speculation is that discount stores, especially Wal-Mart and Target, would have scored as high, possibly higher on competitive prices, than deep discount drug stores. Food stores, however, take longer margins on toiletries such as moisturizers, so their inclusion in the same universe as discount stores more than likely skewered the index downward.

Department stores are very vulnerable when it comes to pricing. In an area that mattered so much to consumers, they had an index of 58, almost 50 percent below average and not even close to being considered competitive.

Drug stores also don't give consumers the fast in-and-out service that is so important to them. Fast service has a value index of 140. Discount drug stores had a performance index of 99, while regular drug stores had a performance index of 128. Obviously, regular drug stores are seen as superior to discount drug stores in this area, but their performance still doesn't measure up to consumer expectations. The combined universe of discount stores and food stores does the best job in providing service. Their overall index rating was 147.

Variety of brands

When it comes to setting themselves apart from the herd and developing a significant "point of difference," many chain drug operators think it's essential that their stores carry a full assortment of all types of brands. This tends to tie up money in inventory dollars and it also slows turns since drug chains are giving space to slow movers so they can create a very full merchandising presentation.

The Gallup findings suggest that this costly strategy may not be necessary after all. Facial moisturizer users, at least, don't report that having a variety of brands on display in the store is very important to them.

So even though drug stores, as well as department stores, are rated above average in this regard, they may be better off dropping slow moving brands, cutting back on inventories and putting the money they save into giving customers more service and faster check-outs.

Nationally advertised brands

Having nationally advertised brands is also not as important as having competitive prices, good locations, fast service, etc., but traditional drug stores are rated lower than any other trade class in providing this service.

In this case, drug chains may want to review their private label or store brand programs which have gotten very extensive in recent years.

The Gallup findings suggest that perhaps drug chains are giving consumers too much of a selection of store brands and not quite as many national brands as they would like to see in the stores.

Drug stores were really rated low on the frequency with which they gave away free samples, but this was not an area that customers said was particularly important to them.

Many drug store shoppers already know which brand of moisturizer they intend to buy, so the importance of this attribute in this category can be expected to be minimal. However, there are other categories like fragrances and cosmetics where free samples might be a more important strategy to stress and drug stores do not seem to be developing any expertise in this area. If drug stores were to improve their service levels, it would be easier for them to do a better job offering consumers more free samples.

Colorful displays

Colorful displays and store decor are two of the least important variables to consumers. Drug stores try, but they are not really seen as very creative in building displays.

Partly because they have much larger stores and much more space to work with, discount stores, food stores, department stores and the deep discount stores, are given the highest ratings when it comes to building displays.

How door-to door companies performed in total

Attributes	Importance index*	Performance index Door-to-door companies
Location	140	106
Customer service	142	163
Fast service	140	106
Competitive prices	165	98
Free samples	75	89
Availability of nationally advertised brands	85	70
Colorful displays	35	60
Variety of brands	90	60

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How discount/food stores performed in total

Attributes	Importance index*	Performance index Discount/food stores
Fast service	140	147
Customer service	142	128
Store location	140	135
Colorful displays	35	103
Variety of brands	90	93
Availability of nationally advertised brands	85	86
Competitive prices	165	86
Store decor	30	80
Free samples	75	42

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

However, given the constraints that conventional drug stores have with space and the fact that consumers don't prioritize this area as very important to them, drug stores probably do as good a job with displays as they need to. No more, no less. Any change here would probably not be very meaningful to customers.

Along with the presence of colorful displays, consumers also rank store decor as rather low in importance to them. The Value Index for store decor was a mere 30.

As you'd expect, consumers rated conventional drug stores higher than discount drug stores on decor. They also rated department stores as the best in this area.

But apparently, as long as a store is clean and well organized, and it gives consumers what they value most, low prices, fast service, customer service and a good location, the decor package is little more than icing on the cake.

How well drug stores give skin care consumers what they value most

Attributes	*Importance index	Performance index Net drug	Discount drug	Regular drug	Department stores	Door to-door	Discount/ food stores
Competitive prices	165	137	169	99	58	98	86
Customer service	142	101	86	115	116	163	128
Store location	140	173	166	185	86	106	135
Fast service	140	112	99	128	93	106	147
Variety of brands	90	122	105	140	144	60	93
Availability of nationally advertised brands	85	90	115	62	116	70	86
Free samples	75	11	6	16	68	89	42
Colorful displays	35	61	77	49	104	60	103
Store decor	30	90	77	107	114	49	80

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

SPECIAL REPORT

overview

Sales for drug chains boosted by designer scents, makeup, lip and nail care

Cosmetic and fragrance sales are rising at a slight to moderate pace in chain drug stores across the U.S. so far in 1992. Growth is being led by designer fragrances, lipsticks, face makeups and the comparatively small but surging professional nail segment.

"Our cosmetic sales are slightly up, led by lip and face," says buyer Stephanie Hayter of Genovese, Long Island, N.Y.

"It's been a challenging first half, but we're up now," says Shari Ralston who buys cosmetics for PayLess Drug in Wilsonville, Ore. "I'm seeing fewer new product introductions but more support invested in those that are launched. Companies are also focusing more on their key brands than they have in the past."

"We're seeing some increases in cosmetics," says Donna McManus at New Orleans-based K&B, "but I can't be sure if that's due to activity in the categories or to some recent changes we made in our merchandising presentations. It's too early to tell how our changes have impacted sales."

"Last year was a pretty soft year," says Steve Lubin, Walgreens' divisional merchandise manager of cosmetics, "so I'd hope 1992 ends up a better year. I think we're going to have a good Christmas for color and fragrance—particularly for fragrance—but as for the year, there aren't enough new products coming out to stimulate the market. Everyone's trying to find ways to distinguish themselves from the group, to make themselves stand out, but without new products to drive the business, there's only so much you can do."

1991 Color cosmetic sales by category segments

Category	1990	1991	Percentage change
Eye color	$ 496	$ 478	(3.6%)
Lip color	450	482	7.0
Face makeup	665	687	3.3
Nail color	271	264	(2.7)
Total	$1,882	$1,911	1.5

Source: Nielsen Marketing Research.

Carol Allman, director of cosmetics and HBA for Eckerd Drug, reports that sales are up so far this year. "We'd like to see them better, but overall we're doing well."

Revco's cosmetic buyer Judy Wray reports that her cosmetic department sales are "slightly off, partly because of internal changes in reporting as well as in overall business."

> *'I'm seeing fewer new product introductions but more support invested in [existing ones].'*
>
> **—Shari Ralston**

In sharp contrast, however, she says fragrance sales are up "significantly." She says Revco in the past year has really "attacked" the fragrance category and is building the department through a series of ongoing, aggressive promotions.

Since Revco has traditionally attracted what she calls a "very value conscious consumer," when prices on a line or an item go up, the chain usually sees a reaction almost immediately.

She is currently seeing some softening in her Cover Girl sales—a reaction she thinks is because of Revco's implementation of some Cover Girl price increases in the past few months.

Wray says the increases were necessary because P&G is no longer promoting Cover Girl as often as before or with discounts as large as before. "Our sales are off, and we are also a little off with Revlon and flat with Maybelline," she says.

Most buyers want to be optimistic about how 1992 will end, particularly when compared with a soft 1991.

"I'm hoping that all the supplier consolidation is behind us," says Walgreens' Lubin. "When people get caught up in that, they get distracted and the basic business suffers. I hope from now on, we can just concentrate on building the business."

Snyder Drug's cosmetic buyer Susan Lund believes

Continued on page 86

EXPRESS CHECKOUT
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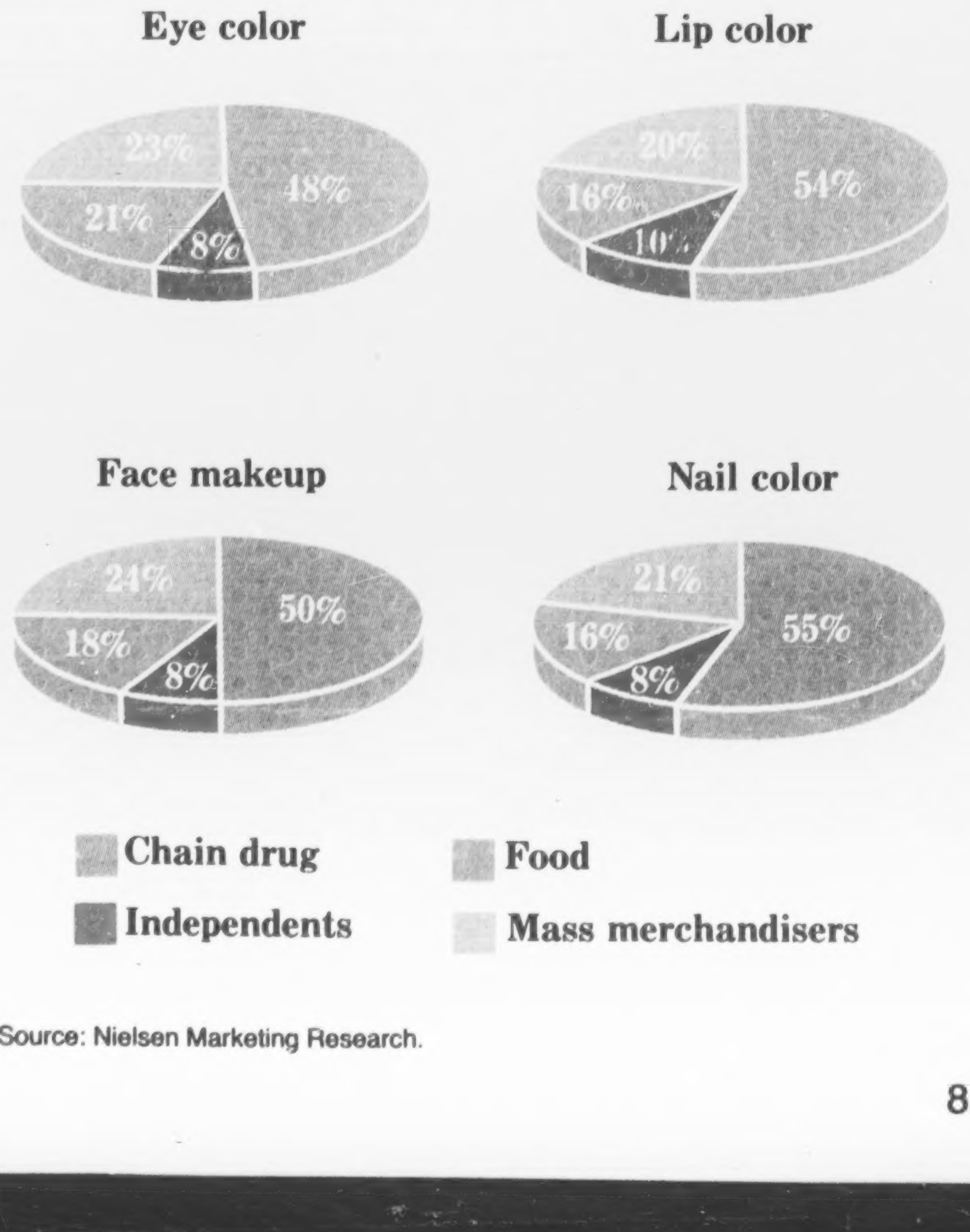
For the first half of 1992, chain drug stores are reporting the strongest cosmetic department growth is coming from designer fragrances, lipsticks, face makeups and the small, but rapidly growing category of professional/salon style nails.

Chain drug store share of 1991 color cosmetic sales

(Percent of share)



Source: Nielsen Marketing Research.

Chain sales boosted by designer scents, makeup

Continued from page 85

1992 is going to be better than last year. "The economy's slowly improving and people are getting more confident."

Eckerd's Allman cautions, "The cosmetic companies will have to maintain their level of spending to keep the education and reinforcement out in front of the consumer."

And, like Lund, she agrees that the recession will also determine how much consumers will spend and how often they will buy. "Nothing in the economy has been fixed yet as far as I can see, so we'll have to wait and see what consumers will be doing three months from now. Will they still be worried? If so, you're going to continue to see belt tightening."

But Allman also says that the impact of a continued recession could also be good for drug chains. "In a recession, drug stores are more inviting to consumers. It gives us a chance to capture reluctant dollars."

Right now, she says Eckerd has been able to build cosmetic sales because of several factors: the relationships that her predecessor, Karen Durham, built with suppliers, enabling the chain to customize a lot of programs for stores (Durham still buys fragrances and other core toiletries for Eckerd.); and convenient store locations that Eckerd will continue to court with promotional programs.

Allman says,' "We see as much competitive pressure as ever. We're in markets as competitive as any that exist. You just have to say, OK, here's the program I want to build. Let's build it the best way we can. Implement it. Get feedback on it. Review it and then go on from there to make it better."

Chain drug store share of 1991 fragrance sales

Category	Chain drug	All drug	Food	Mass merchandisers
Women's fragrances	72%	88%	na	12%
Men's fragrances	49	58	18%	24

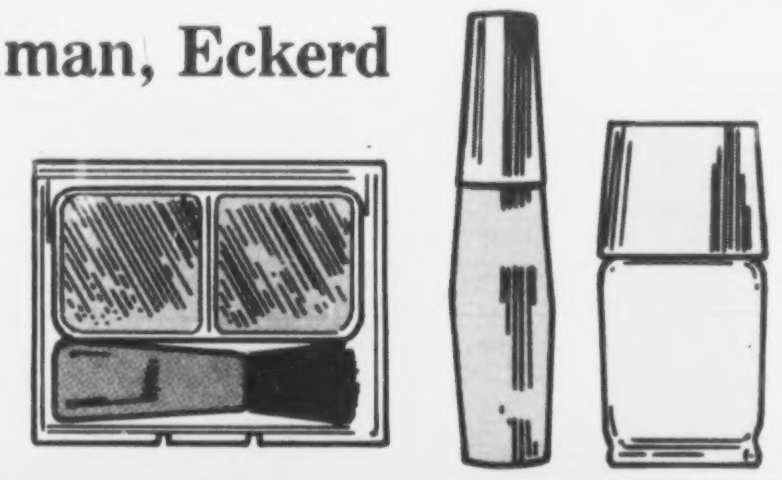
Source: Nielsen Marketing Research.

1991 Fragrance sales by category segments

Category	1990	1991	Percentage change
Women's fragrances	$ 812	$ 813	0.2
Men's fragrances	662	647	(2.2)
Total fragrances	1,474	1,460	(0.9)

Source: Nielsen Marketing Research.

> 'In a recession, drug stores are more inviting to consumers. It gives us a chance to capture reluctant dollars.'
>
> **Allman, Eckerd**

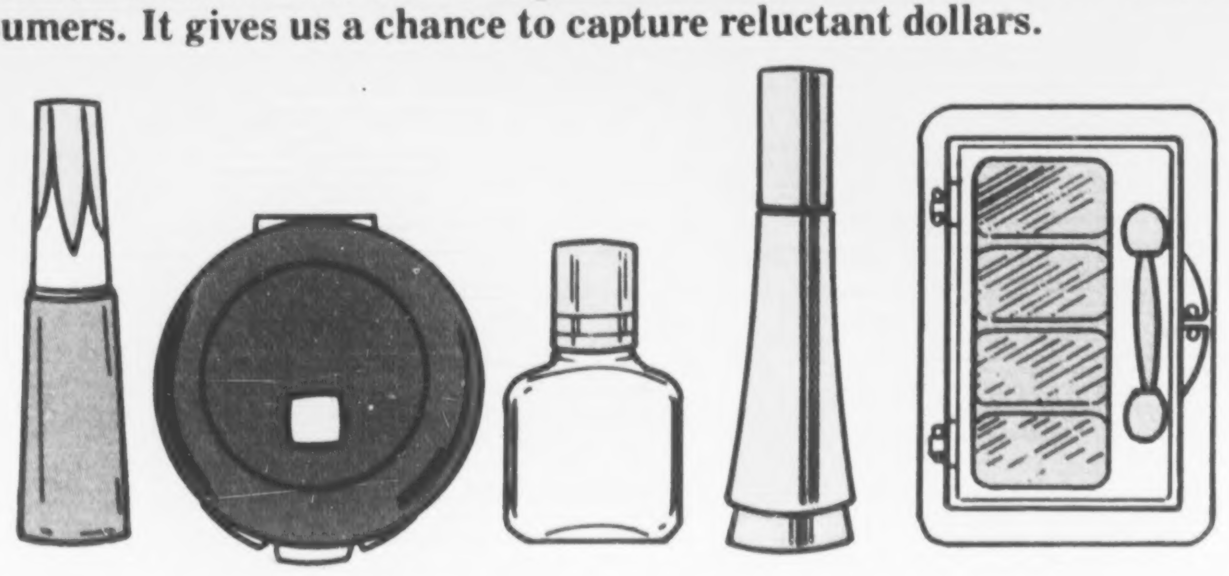


Fine Quality Jewelry

The impact of a continued recession could be good for drug chains. In a recession, drug stores are more inviting to consumers. It gives us a chance to capture reluctant dollars.

fragrances
PrettyN

Cosmetic buyers see if this year's launches make their category grow or just move market share from one company to another company.



New lip care launches lead to smooth sales for chains

Genovese cosmetic buyer Stephanie Hayter reports that her strength in lipstick sales is broad, in virtually every brand.

Coty's new Refinements Refillable lipsticks are popular, and Genovese is in the process now of working them into the planogram. "The $2.95 price point for the refills makes them very attractive to a lot of customers," she says. "They can either buy the case at $6.50 and keep refilling it or they can just buy the refillables and use them as they are."

Cover Girl's Mosaic promotion also did well, with Hayter describing it as, "one of the best of all times. We sold out in a week or two."

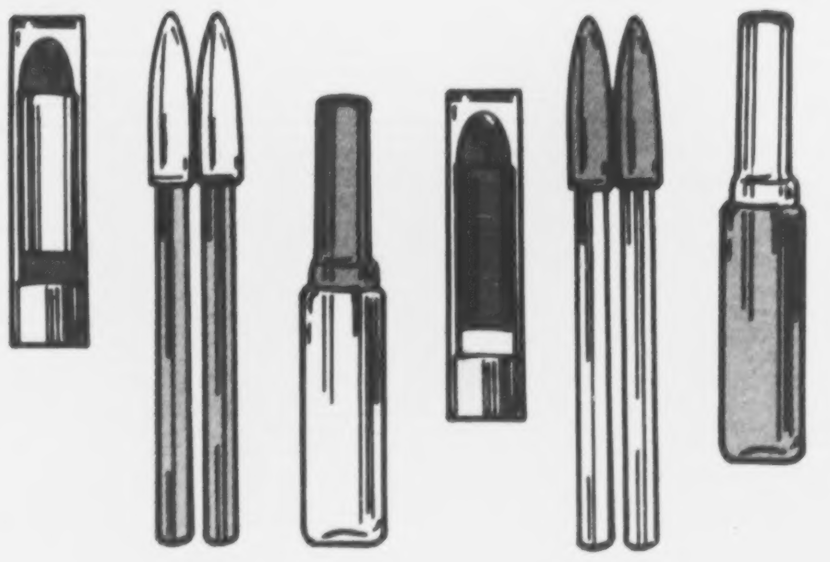
K&B buyer Donna McManus also reports impressive lipstick sales, noting the popularity of Cover Girl's Remarkable Lipsticks and in ethnic, Maybelline's Shades of You.

"Lip is hot," says Snyder's cosmetic buyer Susan Lund. " Remarkable and [Revlon's] Outrageous are both doing very well. L'Oréal's Colour Supreme is also very good, but not quite as strong as the other two."

1991 lipstick sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$245	$261	6.7%
All drug	295	309	4.7
All food stores	78	79	1.4
Mass merchandisers	78	94	21.1
Total sales	450	482	7.0

Source: Nielsen Marketing Research.



"There have been some nice successes in lip this year," says Walgreens' Steve Lubin. "Coty's Refinements launch is good and the movement on Outrageous is increasing. At a $7.50 price point, if you can sell a large quantity of an item like Outrageous, it can be very profitable. But it's still too new to say for certain that's working."

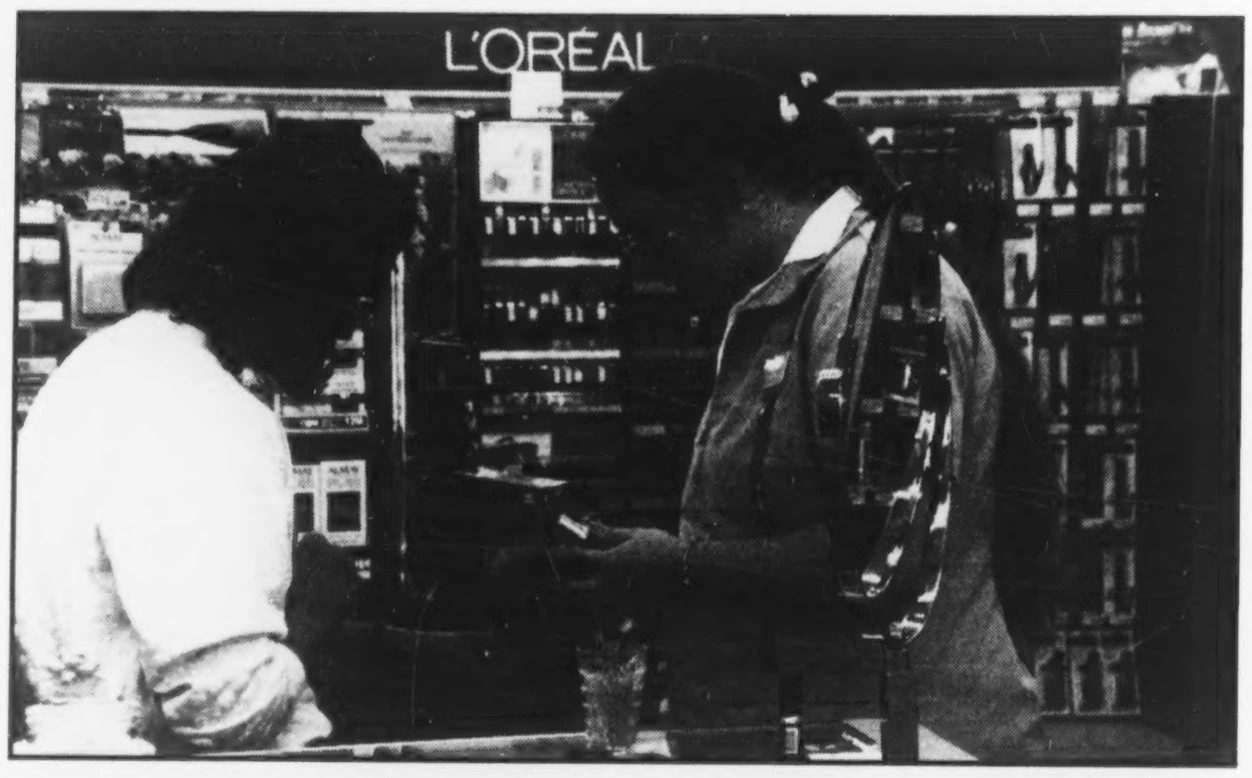
Genovese's Hayter says creamy and long-wearing lipsticks are key benefits that women want.

However, he is still waiting to see if any of these new launches will grow the category by bringing in new users or whether they will just "move market share from one company to another."

At Eckerd Drug, cosmetic director Carol Allman says that based on "the success of all the new launches in lip, I'd say that category is doing well. All the new launches have been successful. What we don't know yet is whether there's been any cannibalization. We're still trying to measure that."

Outrageous retails for about $3 more than Remarkable, so it would seem to have a more limited market. But a number of chains reported doing well with Outrageous without seeing any declines in the Cover Girl lipstick sales.

Colour Supreme lipsticks, on the other hand, have been good but for some buyers not as big a success as was expected. One buyer says, "It may because the matte look hasn't taken off as we expected. The matte is a very sophisticated look and it is not for everybody. Mattes are also more drying on the lips, and these days people seem to want a creamy lipstick."



One buyer said that the matte look hasn't taken off as expected. "The matte is a very sophisticated look; it isn't for everybody. Mattes are more drying; these days people seem to want a creamy lipstick."

At Genovese, Hayter says that creamy and long-wearing lipsticks like Remarkable and Outrageous offer benefits that women seem to want these days.

Promotions have also helped the lipstick category. Several buyers say that L'Oréal lipsticks were top selling items in the line year-to-date. They add consumers were reacting positively to the $2 off promotions run by L'Oréal this year for lipsticks and mascaras.

Budget cosmetics

In chains such as K&B and Revco, where consumers are still struggling to recover from the recession, budget cosmetic sales are booming. K&B's McManus says her budget line, Wet & Wild, is doing well.

At Twinsburg, Ohio-based Revco, buyer Judy Wray also reports Wet & Wild sales are up significantly. She says her customers are absolutely shopping Revco for value, and Wet & Wild is fast becoming one of the strongest lines.

Lipstick sales growth trends by trade class

Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	6.7%	8.8%
All drug	4.7	7.0
Food*	1.4	9.2
All food	1.4	9.0
Mass	21.1	10.2
Total	7.0	7.9

*Stores doing over $2 million.

Source: Nielsen Marketing Research.

New products ahead for stronger nail sales

So far this year, nail color sales have been soft, although treatment sales are still strong for most chains. However, there are some new products and relaunches coming up now and in the second half that could make the year a much brighter one for this category.

Revlon is relaunching its nail color this June and buyers are optimistic about that. Almay will be relaunching its lip and nail in September and that too looks promising. "The Revlon and Almay relaunches just by themselves should give the category a boost," says Snyder's Susan Lund.

"I hope it helps because the category is soft right now for us," says Shari Ralston, the cosmetics buyer at Oregon-based PayLess Drug Stores. "We need a jump start."

A new segment is also emerging in nail color: instant drying nail color. At Genovese, Stephanie Hayter thinks CCA's new 60-Second drying line should be a "very interesting launch that could be hot this summer. "It's a little higher price point, but it will have TV and I think everybody will be trying it." She has created an endcap panel to get it into her stores early.

1991 nail color sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$149	$144	(3.0%)
All drug	175	166	(4.7)
All food stores	48	43	(10.0)
Mass merchandisers	49	55	11.9
Total sales	271	264	(2.7)

Source: Nielsen Marketing Research.

Nail color growth sales trends by trade class

Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	(3.0%)	1.8%
All drug	(4.7)	0.4
Food*	(9.9)	0.4
All food	(10.0)	0.0
Mass	11.9	0.4
Total	(2.7)	0.3

*Stores doing over $2 million.
Source: Nielsen Marketing Research.

Cutex Color Quick is already in distribution, but there hasn't been much advertising on it yet. At Genovese, the trial sizes were hot, but the basic stock is just getting into the planogram.

So far, Hayter doesn't think the launch is as strong as it was a few years ago when Cutex launched Strong Nails, but she also says it's still early and too soon to know for sure.

Ralston says Color Quick has just recently gotten into her stores, but it seems to be moving OK.

CCA's 60-Second was just shipping in at press time, but she said that, based on past performance, "it should blow out as soon as the TV breaks."

Revlon has always been strong in the nail color category and now that it is repackaging the nail enamel, buyers think there will be an even greater surge in their sales.

Clarion has also repackaged nail and numbered its treatments to make it easier for customers to make a selection, and buyers say that should help sales.

"We've had nice increases in nail color this year," says K&B's Donna McManus.

At Eckerd, Revlon's nail color sales are doing well, and Carol Allman, who manages the category, says she's seeing good increases in the entire line. Maybelline has also turned in a strong performance at Eckerd, as have L'Oréal and Cover Girl.

Professional nails

This year, buyers say they are noticing a new phenomenon: professional nails—nails with a salon image like Orly, IBD, Delore and Jonel, which have always been a strong business in the chains that stock them—are going through the roof.

The buyer for one of the industry's seven largest drug chains said that professional nails are one of the few "really hot areas right now."

Genovese's Hayter says her sales of professional nails are growing by "leaps and bounds."

She can hardly keep the IBD's Five-Second Nail Glue in stock. "This is simply one item we can't be out of stock on, the demand is so great. Professional nail, for us, is becoming another designer fragrance business."

At Revco, professional nail brands, specialty brands, nail treatments and nail accessories are all doing very well so far this year.

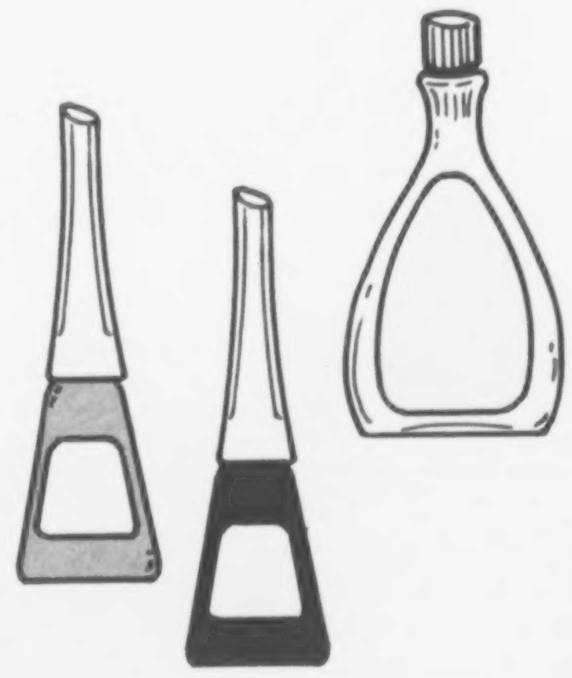
Buyer Judy Wray says nails and nail accessories are, "a neat niche category. They sell well and deliver good profits." Among the lines: CCA, Cosmar, West Cabot, Jonel, AAI and Delore.

This year, she says Revco will be redefining its mix for professional nails and expanding its distribution. The chain will also merchandise more items in bulk on the shelf rather than on the peg wall, and it will be putting "benefit signs on the shelf so we can explain to customers how to use an item or what it does."

The goal is to build the category through in-store promotions. "IBD, their glue and other items really move," says Snyder's Lund. "We're not going to expand it because we don't have the space, but what we're carrying now does real well."

PayLess' Ralston also reports sharp sales of professional nails since first testing the waters with Orly, and it is building steadily with Delore and the Super Nail line from American International.

This year, buyers say they are noticing a new phenomenon: nails with a salon image are going through the roof.



Eye care sales awaken but price wars squeeze $$

This year, unit sales of mascaras have gone up dramatically, but price wars have caused dollar sales, for many chains, to go down.

Many buyers report selling plenty of Revlon mascara at $2.99, "but, at the same time, that's hurting not helping dollar sales. We're really trading customers down," said one source.

Buyers also call the L'Oréal $2-off promotions on mascaras a "trade-off. Again we're selling more units and making less dollars," said one source.

Later this year, L'Oréal and Cover Girl will introduce some single pan shadows, and most buyers say that both these introductions should do well.

P&G is positioning its new Cover Girl Natural Eyes "breeze on" shadow that comes packaged with a specially designed ponyhair InstantBlend brush to bring new users into the category.

Marketing is hoping it will appeal to women who currently don't use shadows simply because they haven't got the time to fiddle with the brush and the application.

One buyer said the approach is just what is needed in cosmetics: an idea to create incremental sales rather than cannibalize sales.

PayLess cosmetic buyer Shari Ralston reports that other recent launches in shadows do seem to be revitalizing this sluggish category. She noted Revlon's Overtime Shadow and single pan shadows are doing well, as are Max Factor and Cover Girl shadows.

All of a sudden, eye lashes have become hot. Buyers say every line they have is doing well, but the most frequently mentioned best sellers are the lashes from Ardell and Andrea.

"Eyelashes are big. Eyebrow products are big," reports Ralston. "The Ardell eye products are just blowing through the roof."

At K&B, Donna McManus reports being surprised at the growth in her eye lash sales. "I've been reading that eye lashes are coming back and it's apparently true," she said.

At Revco, Judy Wray says her sales with Ardell have been very strong.

At Genovese, Stephanie Hayter reports noticing "a very heavy consumer demand for lashes, so heavy that I created an end panel for lashes to give to stores that didn't have the space to put them in the planogram."

There is a new line called Press & Go coming out that is a disposable lash line that buyers think will do well. They go on with a glue. Women wear them a few times and then discard them.

Another apparent winner is L'Oréal's Volumizer Mascara, buyers report.

"Maybelline's been spending a lot and we're seeing some real pleasant growth to go along with that," says Eckerd's Carol Allman. "Their mascaras are doing much better, and they're in the process of playing catch up with L'Oréal's Lash Out."

What is needed in cosmetics is an idea to create incremental sales rather than cannibalize sales.

1991 eye color sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$240	$232	(3.6%)
All drug	280	267	(4.6)
All food stores	112	101	(9.6)
Mass merchandisers	104	110	5.6
Total sales	496	478	(3.6)

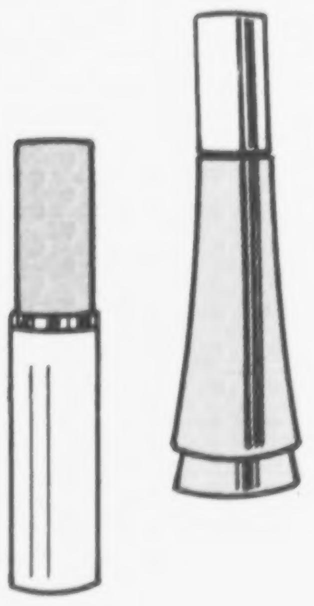
Source: Nielsen Marketing Research.

Eye makeup sales growth trends by trade class

Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	(3.6%)	3.5%
All drug	(4.6)	1.8
Food*	(9.7)	3.3
All food	(9.6)	3.1
Mass	5.6	2.0
Total	(3.6)	2.1

*Stores doing over $2 million.

Source: Nielsen Marketing Research.



Kids' toiletries are awash in licensing

Tinkerbell continues to be a perennial best seller in chains where it is carried year round.

This year, Tsumura is introducing a new licensed teen cosmetic/fragrance line, 90210. Given the success of the Fox television program, "Beverly Hills 90210," this could be a hot if trendy launch. Genovese's Stephanie Hayter thinks sales will be great, but of course, she adds, "I don't know how long it will last."

The Jordache eye makeup kits also do well with teens in Genovese stores.

At PayLess Drug, sales of kids toiletries and cosmetics are "very strong," says Shari Ralston.

Tinkerbell does well in PayLess stores, as do the Tsumura Ducair licensed toiletry lines like Muppets, Barbi and Beauty & the Beast.

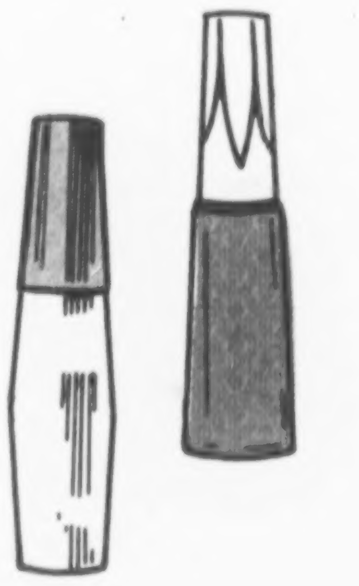
Also popular right now are Color Kisses and children's bath.

Ralston thinks the new Batman from Tsumura will "be very hot," adding that anything today in the shape of a troll is strong.

Teen fragrances just do OK at PayLess, since they appeal mostly to younger teens. Older teens, says Ralston, are already moving up to the adult fragrances.

Coty's Tribe did OK at PayLess, but the small 0.5 oz. size did best. She thinks the Tribe customer in PayLess simply couldn't afford the larger size.

She has bought Tsumura's new 90210, and although she certainly doesn't see it as a long term fragrance, she thinks it will do okay.



"Customers are trading up to the higher-price specialty items" in bath care, says PayLess' Shari Ralston.

Bath care bubbles with fresh ideas, growing sales

Bath care is still one of the strongest growth categories in chain drug stores. At PayLess, buyer Shari Ralston reports "big increases" in the category. She says her warehouse pulls are up 39 percent so far this year.

"Customers are trading up," she reports. "Calgon and Vaseline Intensive Care are still doing well, but people are trading up to the higher price specialty items. Baskets are strong and so are loofas."

Ralston also notices that vendors in this category, anxious to take advantage of the growth opportunities, are "very flexible. They're willing to do unique things so you can be different."

In PayLess stores, Sarah Michaels, which the chain merchandised on the marbleized endcap that La Loren supplies for the brand, is doing very well.

But Ralston also feels that her customers need more of a choice of lines, so she's thinking of adding other specialty bath lines. She's looking at Brandt, which she describes as a nice line of gift soaps; at Savonette, a specialty department store bath line and at the aromatherapy bath line from Sinclair and Valentine. She also likes Del Labs Naturistics, which she believes appeals to a different customer—not the gift giver, but the young self user interested in nature and natural products.

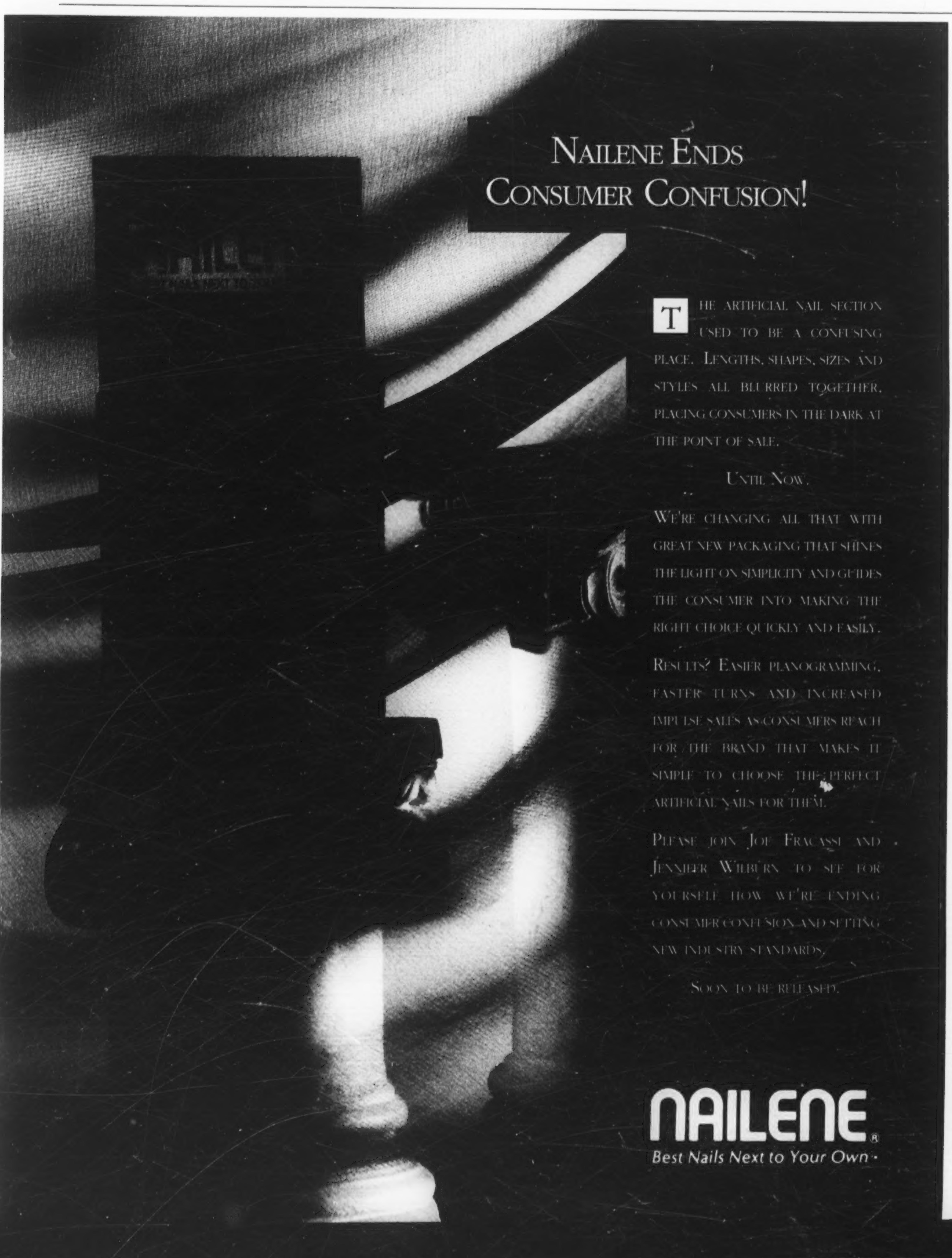
Naturistics is doing very well in many chain drug stores. At Genovese, Stephanie Hayter is expanding the line's distribution from the original 36 SKUs launched by Del last year to all SKUs by the end of the year.

She's also looking at another new bath line, San Francisco Soap Company, and is close to a test. She says their glycerin soaps look nice and they also offer "a significant cost advantage."

Because of the cost difference and the attractive presentation, Hayter is fairly sure she will test them soon in some stops.

This year, everybody and their brother has a new line of bath baskets coming out. Hayter says she likes Savonette, which she's seen in distribution at Lord & Taylor department stores. She says it's a nice quality and nice presentation and she may do some tests with it.

The seasonal assortments from Paris Presents has also done well in Genovese stores. She says Paris Presents always has "a nice color story," and this year they have a Riviera pre-pack that can be used as an endcap wing. "It's something new and different," she says, "and our customers always look for that."



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Organizers staying hot despite space limitations

Many buyers are still finding it hard to get enough space to do justice to the cosmetic organizer category, but they say sales on this category are continuing to do well. Cosmepak has a unique item called Jam Packers that was just reaching stores at press time.

A number of buyers reported that the little organizer, the first soft portable organizer on the market, is "different and should do well."

Genovese's Stephanie Hayter points out that Cosmepak's first generation of organizers, the Trés Chic line, did very well.

Snyder's Susan Lund says that all her cosmetic accessory categories from organizers through brushes, applicators and sprays, are selling well. "This whole segment is a real good category and I think it's going to stay hot for a while," she said.

Lund says both Caboodles and Sassaby's organizers are selling well in her stores, she says early sales on Cosmepak's new Trés Chic and Jam Packers are "doing just fine."

On the west coast where fads frequently find their first launching pad, Shari Ralston at PayLess reports that promotional "temporary tattoos" are taking off in her stores.

She describes them as the perfect in-and-out item, and says they sell great during back-to-school because they're so popular with kids and teens.

There are a lot of different companies making temporary tattoos, but they are usually found merchandised in the cosmetics department in a pre-pack or a spinner.

PayLess has a spinner that holds 492 pieces. Among stock: skull and cross bones, lips, hearts and trolls, which are particularly popular right now. The tattoos targeted at kids are usually $1.45 to $1.90 a package, while those geared to teens or adults are usually between $3.99 and $4.99.

COSMETICS & FRAGRANCES

product updates

Skin Care

The Jean Naté Body Indulgence Collection is bath and body treatment products incorporating natural fruit extracts and the scent of Jean Naté.

Included in the collection are: Exhilarating Shower Gel (SRP $9.50—12-ounce bottle); Energizing Bubble Bath (SRP $8—8-ounce bottle).

Also: Sheersilk Bath and Body Oil (SRP $9—8-ounce bottle); Sleek Body Scrub (SRP $8—6½-ounce jar); and Restorative Body Lotion (SRP $7—8-ounce bottle).

Jean Naté, 625 Madison Av., New York, N.Y. 10022. (212) 527-4000.

* * *

Plénitude has introduced two moisture protective products: Oil-Control Toner and Tender Eye Makeup Remover.

The toner is for normal to oily skin types.

It has an alcohol-free, pH balanced formula that is enriched with pro-vitamin for natural moisture balance.

The toner removes all remaining traces of makeup and cleanser and the botanicals gently absorb the excess oil in one's face.

It is packaged in an 8.5-ounce bottle.

The makeup remover is for all skin types.

It gently dissolves all traces of eye makeup, has natural conditioning agents and the lipoprotein restores moisture and protect the delicate eye area.

The makeup remover also softens lashes and is ophthalmologist tested and fragrance free, which is perfect for sensitive skin.

It is packaged in a 4.2-ounce pump dispenser.

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Ethnic and trade-up lines add richness to face makeups

Along with lipsticks, face makeups comprise one of the fastest growing categories in chain drug cosmetic departments.

One large regional chain reported that its make-up sales year-to-date are up 26 percent.

At PayLess, buyer Shari Ralston attributes much of the growth to Cover Girl, Revlon and L'Oréal, as well as to the new packages and advertising for Maybelline.

Face makeup sales have been juiced by the success of the many new ethnic cosmetic lines that have come onto the market.

Face makeup sales growth trends by trade class		
Trade class	**Percentage change 1991 vs. 1990**	**Average percent change for past five years**
Chain drug	4.5%	8.3%
All drug	2.0	6.4
Food*	(3.9)	7.3
All food	(3.9)	7.0
Mass	13.4	8.1
Total	3.3	6.9

*Stores doing over $2 million.

Source: Nielsen Marketing Research.

Face makeup sales have also been juiced by the success of the many new ethnic cosmetic lines that have come onto the market. Buyers for many chains say the face makeups for almost all the ethnic lines—Shades of You, Posner, Zuri, Black Radiance, Tropez, Simply Satin—are all doing well.

Among the new items in face care, L'Oréal's Hydra Perfect is garnering strong reports from buyers.

Genovese's Stephanie Hayter says it may be because the category "needed a line with sun protection factors and a little more coverage."

Also strong in Genovese stores is the Cover Girl Clarifying Make-up. "People are trading up," she says. "They are putting on face makeups that will protect as well as enhance their look."

However, as buyers struggle with limited department space, there is uncertainty on how to work in the ethnic cosmetic launches that are still pending. For a chain like Genovese, Almay is not a problem because it is shipped directly to stores so Hayter is putting the darker shades in doors in ethnic neighborhoods.

Revlon, however, is warehoused and she doesn't know yet where or if she can get the room for another three feet for the ethnic collection. The same is true for Cover Girl, a line that she knows is coming but hasn't seen yet.

K&B's Donna McManus reports that ethnic face makeups from Shades of You, Posner and Zuri are also selling quickly in her stores, with the exception of soufflé makeup formulas from Shades of You.

At Snyder, Susan Lund says Hydra Perfecte is a rapid seller. "We're seeing strong sales in what I think of as the older person's makeup—L'Oréal, Max Factor, Revlon. But, of course, Cover Girl face is very strong as well."

Skin care

One of the nice surprises in skin care this year is the rebound of Revlon skin care sales. Buyers such as Hayter are reporting that since the price roll back that Revlon took in January, sales have been picking up and "reorders are coming in again."

Almay's new Problem Solution and Teen line are popular at Genovese, and their color cosmetic sales are picking up.

Along with lipsticks, face makeup is one of the fastest growing categories in chain drug store cosmetic departments. One large regional chain reported that its make-up sales year to date are up 26%.

Hayter is planning to test Physician's Formula skin care in some stores this year. "It's a specialty line so we have to get the cosmeticians involved and trained to sell it. They don't have much money for advertising, so we'll be doing a lot in the stores themselves to call attention to the line: special displays, couponing and sampling." She will probably test the skin care first and if that does well, expand into the color cosmetics from Physician's.

"Skin care's doing real well. Plénitude's helped change that dramatically," says Snyder's Lund. "Bonne Bell's Ten-0-Six also does very well in our stores, and Revlon's skin sales are picking up. The price rollbacks helped."

1991 face makeup sales by trade class			
Trade class	**1990 Dollar sales in thousands**	**1991 Dollar sales in thousands**	**Percentage change**
Chain drug	$330	$344	4.5%
All drug	391	399	2.0
All food stores	130	125	(3.9)
Mass merchandisers	144	163	13.4
Total sales	665	687	3.3

Source: Nielsen Marketing Research.

Designer scents lead category with double-digit gains

In fragrances, most drug chains say their sales, so far this year, are basically flat, except for designer fragrances which keep showing dramatic double digit increases at many chains.

"In fragrances, we haven't had much growth," says Genovese's Stephanie Hayter, "except for trial sizes, new fragrances just coming out and designers. There's been a slight increase overall."

"We've done all right in fragrances,' says Eckerd's Carol Allman. "The department store lines are still doing well, but so is our basic business. We think we're dealing with two completely different types of customers."

"Our mass fragrance sales are flat," says PayLess cosmetic buyer Shari Ralston, "but our designer sales are good, and we could do even better if the availability for some of the strongest brands like Eternity would open up."

Among the new launches in mass, Cover Girl's Incognito, so far, has been a decent launch. It's not as dramatic a success as Navy, but it's doing well, and most buyers said the one ounce sampler that P&G used to introduce Incognito sold out very quickly.

"Designer fragrances are doing very well for us," says Snyder's cosmetic buyer Susan Lund. "It all sells. Incognito is not as hot as Navy, but it's doing well, and Navy is still hot. All the Coty fragrances are also very good for us."

Designer fragrances and trial sizes are showing the biggest gains, with designer brands posting double-digit increases.

At Genovese, Muelhens Inc., which used to be known as Colonia, is doing well with two kick-off launches, Priscilla Presley's Moments and Carrera For Men. At press time, Hayter said Carrera had just gotten into full distribution in her stores and was "starting to take off."

Quintessence's Jovan White Musk For Men was just in the process of shipping and Coty's Gravity and Truly Lace will ship this fall, but most buyers were optimistic about the changes for all three lines.

"Caliente looks good," says Lund. "The packaging is very nice. Jovan Musk does better with men than women, so that makes me think that their new White Musk For Men has got to be at least as good as last year's White Musk For Women."

Ralston expects to do a very good business with Caliente and she expects Truly Lace to also be strong.

The men's fragrance business at PayLess is healthier now than the women's fragrance business, thanks in part to the success of Drakkar Noir and Polo. But Coty has always done well with its brands, so she thinks they may score well with their newest men's scent, Gravity.

"Gravity looks good. It's eye catching, but simple. It reminds me of Ex Cla Ma Tion."

As the year evolves, however, most buyers predict that there will be a fallout in the mass fragrance category. "We'll be cutting back on the fragrances without support to make room for the new ones coming out," says Hayter.

With 32 stores on POS at press time, she's able to really see what is and isn't selling. Navy, she says, has six SKUs in her stores, and they eat up considerable shelf space, but, she stresses, they all turn.

"Some of the POS data is eye opening, Jean Naté, for example, or Jovan Musk. They're old standbys and

Continued on page 103

Women's fragrance growth sales trends by trade class

Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	1.9%	4.4%
All drug	0.0	2.9
Mass	1.7	(0.3)

Food store sales trends are not available

Source: Nielsen Marketing Research.

1991 women's fragrance sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$577	$588	1.9%
All drug	715	715	0.0
Mass merchandisers	97	98	1.7
Total sales	812	813	0.2

Food store sales trends are not available.

Source: Nielsen Marketing Research.

Designer scents lead category

Men's fragrance growth sales trends by trade class
(After shaves and colognes)

Trade class	Percentage change 1991 vs. 1990	Average percentage change for past five years
Chain drug	(2.1%)	4.5%
All drug	(4.8)	2.8
Food*	(1.9)	3.4
All food	(2.0)	5.2
Mass	4.1	5.8
Total	(2.2)	3.9

Stores doing over $2 million.
Source: Nielsen Marketing Research.

1991 men's fragrance sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$322	$315	(2.1%)
All drug	393	374	(4.8)
All food stores	116	114	(2.0)
Mass merchandisers	153	159	4.1
Total sales	662	647	(2.2)

Source: Nielsen Marketing Research.

Continued from page 100

they're basically merchandised in basic stock, but they do well. The Jovan Musk 4-ounce cologne, in particular, stands out."

She expects some of the new launches like Caliente, White Musk For Men, Gravity, Truly Lace to do very well, and she's prepared to drop fragrances that show up "on the bottom of the ranking list" to make room for them.

"If you don't sell one piece per store in six months, you're wasting time and money stocking it. We're trying to make our inventory lean and mean, at the warehouse, as well as the store. And to get turns, if someone's sales aren't so great, you have to cut them."

Alternative scents

In the alternative designer category, Parfums de Coeur has a new men's shipper coming out in July that looks very good to Hayter. "The shipper should be a real success. This time, I think the men's fragrances may do real well."

She also believes Parfums de Coeur has a hot stocking stuffer for Christmas: body sprays packaged in little champagne bottles. She says the "cute packaging" should do very well at Christmas.

At K&B, Cover Girl's new Incognito is off to a very good start. Donna McManus says she's been getting good reorders.

Ciara did very well for K&B as a Mother's day promotion. McManus said sales were "excellent." Ex Cla Ma Tion, Sand & Sable and Factor's Toujours Moi also do very well in stores.

Quintessence's new Caliente women's fragrance had not shipped at press time, but she likes it and thinks it has more than a decent chance to do very well in the fourth quarter. The Quintessence Aspen For Men line is also doing very well in K&B stores.

At Eckerd, Incognito was starting off slowly. The chain was one of the first chains to promote Incognito, but Allman said they broke their ads early before P&G had their media campaign underway. "It may be getting stronger now. We have to wait and see," she said.

Caliente hadn't gotten on the shelf yet at press time, and Coty hadn't shipped yet either.

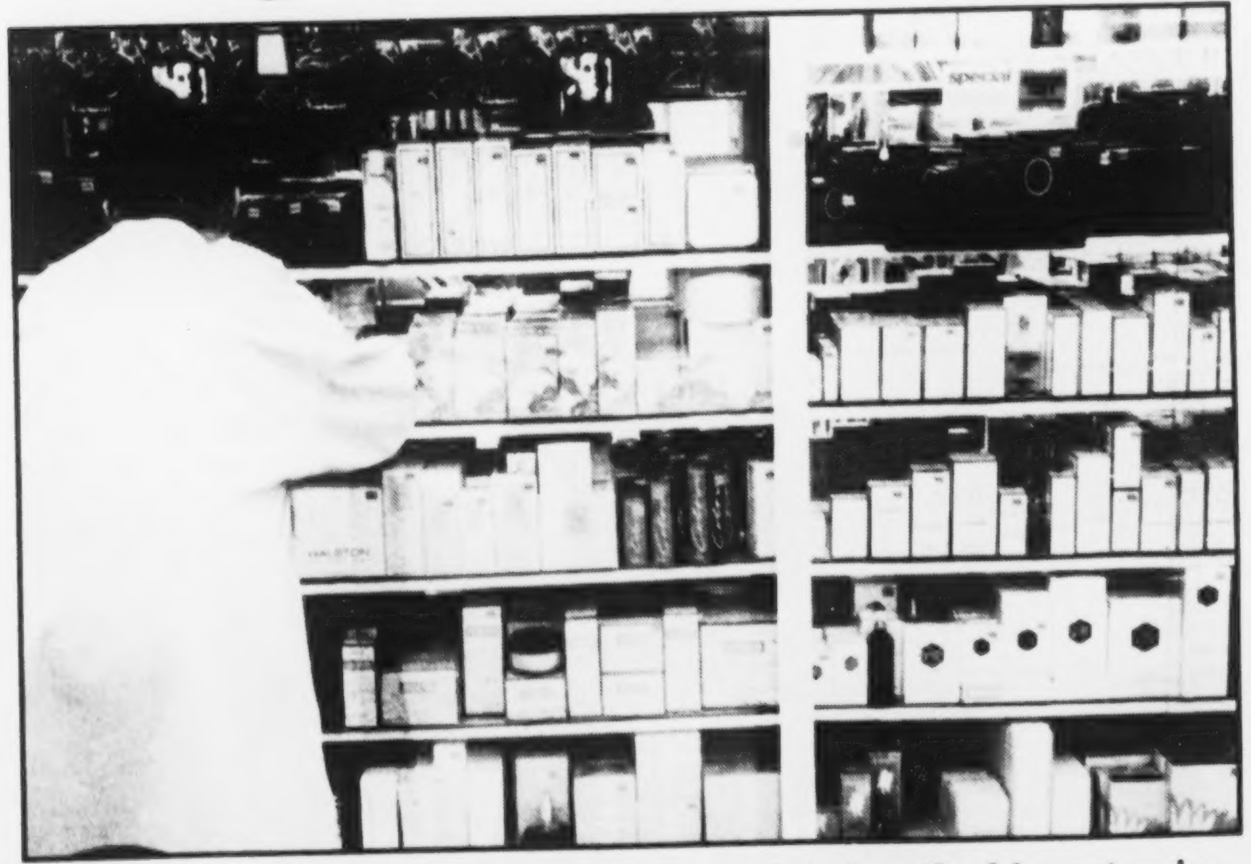
She said her expectations for the two Coty fragrance launches were particularly big. "For one thing, fragrances do particularly well here because we're in so many hot climates, and for another, we've always done very well with Coty."

Revco also reported getting a slow start with Incognito. The chain's Navy sales are also slightly down this year, and Judy Wray is hoping that the new packaging changes that P&G is giving Navy will help rejuvenate sales.

She thinks that Coty's Truly Lace may be a little too similar to the L'Effleur cologne launched last year. She says Gravity, however, is interesting both in its look and its positioning.

She likes the pretty packaging on Caliente from Quintessence and says the Christmas package looks like a winner as well. White Musk sales are doing well in Revco and Wray thinks the new White Musk for Men may also come in strong.

She put in the old Houbigant fragrances like Chantilly and Lutece, now owned by Houbigant/Parfums Parquet, last spring and reports sales have been very good.



Designer fragrances and trial sizes are showing the biggest gains, with designer brands posting double-digit increases.

Cosmetics, fragrance depts. show strongest growth in lip color and face makeups

Chain drug cosmetic buyers report that new product launches are propelling good unit and dollar sales gains in lipsticks during the first half of 1992.

A concurrent year-end review of color cosmetic sales by Nielsen Marketing Research corroborates this trend.

Comparing 1991 to 1990, Nielsen reports that lipstick generated the strongest dollar sales increases in color cosmetics: up 7 percent in sales versus a 1.5 percent increase for the entire color cosmetic category.

According to Nielsen, face makeups were the only other category to show growth in the three trade classes that compromise Nielsen's current definition of mass outlets: up 3.3 percent for 1991 versus last year. Eye color sales were down 3.6 percent in mass and nail color was down 2.7 percent. But, Nielsen noted that the declines weren't universal across all the trade classes that make up the mass market.

Color cosmetics

In all four of the color cosmetic categories, mass merchandisers such as Wal-Mart, Kmart and Target generated the strongest growth surges, and in two segments, eye and nail color, they were the only trade class generating growth in what were otherwise declining categories. That, of course, means they are capturing sales from competing drug and food chains.

Chains vs. independents

As has been the case for many years in the cosmetics category, chain drug stores continue to do a better job than independent drug store operators in driving cosmetic sales. Last year in the lipstick category, they generated a 6.7 percent increase in lipstick sales while independents suffered a 4 percent decline in sales.

Nielsen reports that the drug store industry, as a whole, maintained only a moderate 4.7 percent increase in lipstick sales.

There are a number of reasons why chains are outperforming independents in the color cosmetic categories. Chains, of course, are able to buy direct from the key cosmetic vendors, making it possible for them to warehouse such lines as Revlon, L'Oréal, Cover Girl and Maybelline, while independents either have to buy from a wholesaler or have their stores serviced direct by a broker or manufacturer sales rep.

This means independents usually have to pay a higher markup for the cosmetics they purchase and they're more vulnerable to out-of-stocks since they don't have replenishment stock at their ready disposal.

To maintain an acceptable margin, they have to pass their costs along to consumers which hurts their ability to be competitive.

Independents are often overwhelmed by the thousands of SKUs that make up the cosmetic category: by the frequency with which new SKUs are introduced and then eliminated from the category, as new shade collections and other promotional items are launched and then discontinued.

Many independents feel uncomfortable with the category, feeling that their expertise is in pharmacy, not in fashion or color shade changes.

HALSTON
POLO

Nielsen Marketing Research reported that independents suffered sharp declines last year, even in growth segments like lipsticks and makeups. Chains, on the other hand, increased dollar sales 6.7 percent for lipsticks and 4.5 percent for makeups.

Courting cosmetic shoppers

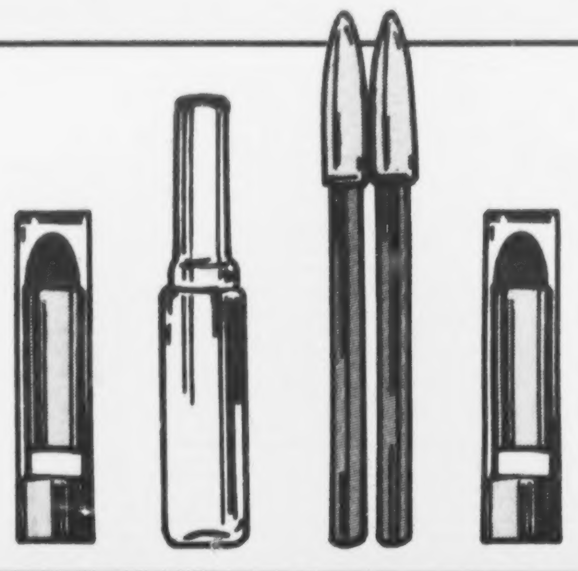
Chains, on the other hand, are aggressively trying to court the cosmetic shopper. In the last few years, they have been striving to transform their cosmetic departments into exciting, interesting and fun places to shop. Most of the major chains have either finished refurbishing

Continued on page 106

Lipsticks: six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$220	$238	$252	$273	$295	$309
Food	51	57	63	73	78	79
Mass	58	61	65	73	78	94
Total	329	356	380	419	450	482

Source: Nielsen Marketing Research.



Face makeup: six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$293	$320	$353	$360	$391	$399
Food	89	101	113	121	130	125
Mass	111	119	124	135	144	163
Total	492	540	590	615	665	687

Source: Nielsen Marketing Research.

Lipsticks: six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	67%	67%	66%	65%	66%	64%
Food	15	16	17	17	17	16
Mass	18	17	17	18	17	20

Source: Nielsen Marketing Research.

Face makeup: six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	59%	59%	60%	59%	59%	58%
Food	18	19	19	19	19	18
Mass	23	22	21	22	22	24

Source: Nielsen Marketing Research.

Lip color, face makeup show strongest growth

Continued from page 105

or remodeling their cosmetic departments or are in the process of doing so.

Chains can go direct to manufacturers for help in developing new fixtures or shelf organizers that will help them enhance their presentation of cosmetics while maximizing turns. They usually are the first to see the new fixtures that such manufacturers as L'Oréal, Cover Girl, Revlon and Max Factor develop each year, and they're faster than independents in getting these fixtures into their stores. That not only makes their departments more attractive to shop, but it also makes them more productive since many of these fixtures are designed to turn product and enhance the presentation of cosmetic products.

Chains are trying to beef up service in their cosmetic departments, often expanding the number of stores with cosmeticians and going to the expense and effort to train them regularly with schools, videos, manuals and other training aids.

Move faster for new products

Chains are quicker than independents to pick up on major new product launches like Cover Girl's Remarkable, Revlon's Outrageous or Coty's Refinements lipsticks.

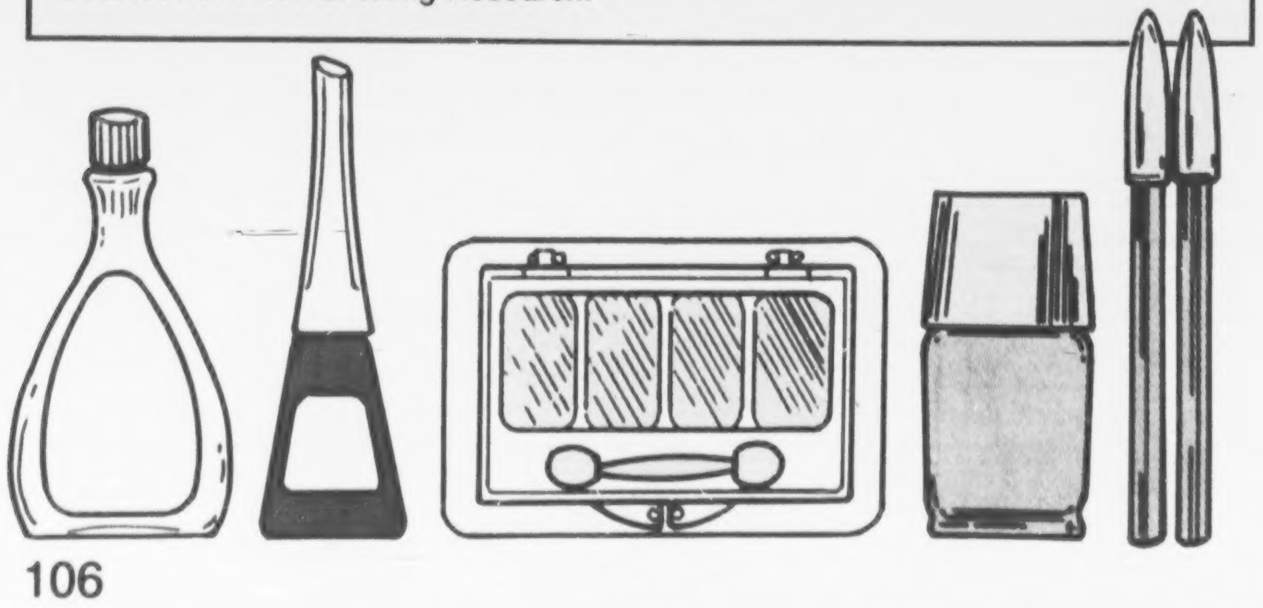
Buyers often say that without new launches like this, there would be no growth in their categories, but it can take two to three years or more before the average independent is able to work these launches into his planogram.

For 1991, Nielsen reported that sales of women's fragrances in chain drug outlets were down 1.9% from '90. For the past five years, sales of women's fragrances have increased 4.4% in chain drug stores.

Nail color six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$163	$154	$159	$164	$175	$166
Food	43	41	42	46	48	43
Mass	54	49	46	50	49	55
Total	260	244	246	260	271	264

Source: Nielsen Marketing Research.



Eye makeup: six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$244	$254	$288	$283	$280	$267
Food	87	95	105	108	112	101
Mass	99	103	103	105	104	110
Total	430	452	495	496	496	478

Source: Nielsen Marketing Research.

In some cases, independents have given up on the color cosmetics category completely and don't even try to compete. They beef up their fragrance departments instead, because it's simply easier for an independent to deal with a local fragrance supplier, get a good price for the fragrance he or she wants and be able to stay in stock on the brands most frequently in demand.

But, while the Nielsen numbers show that chains are proving that they can manage the color cosmetic category better than their independent counterparts, the same numbers indicate that chains are under pressure from aggressive mass merchandisers.

The fight for lipstick sales

For 1991, in the lipstick category, for example, mass merchandisers generated a 21 percent increase in dollar sales compared to the 6.7 percent increase that chains generated.

Looking at a five-year trend of dollar sales, Nielsen noted that mass merchandisers have consistently dominated the lipstick category in terms of growth, and their growth performance is getting stronger with each passing year.

Over the past five years, lipstick sales for mass merchandisers have increased 63 percent, an average rate of 10.2 percent a year. Last year, as stated earlier, their increase was 21.1 percent, so it's clear they are nowhere near saturation in this category.

In contrast, over the past five years, lipstick sales in chains have increased 53 percent, an average rate of 8.8 percent a year. Comparing their growth last year—6.7 percent—to their average for the past five years, it is clear that even though they're getting increases in this category, their momentum is softening.

Food stores are showing the same trend but at a more accelerated rate.

Supermarkets doing over $2 million a year in sales account for 99 percent of all food store lipstick sales; those sales last year were basically flat, up just 1.4 percent in dollars. Over the past five years, lipstick sales in supermarkets have increased 56 percent, an average rate of 9.2 percent per year.

With the exception of combination food and drug stores, the food store industry has been shying away from the complicated, inventory-intensive color cosmetic category in recent years; these numbers reflect the consequences of that strategy. The 1.4 percent increase they generated in lipstick is a paltry gain compared to the 9.2 percent they were averaging over the past five years.

Face makeups

According to chain drug store color cosmetic buyers, face makeups, as a category, has also been showing growth through the first half of 1992, thanks again to new product activity, relaunches and expansion of the ethnic face makeup category.

In 1991, Nielsen reports that face makeup sales increased 3.3 percent vs. last year in all mass outlets.

As an industry, drug stores generated 2 percent of that growth. Once again, the growth in face makeup sales in the drug store trade class was entirely due to the success chains have had in building this category. Face makeup sales in 1991 were up 4.5 percent in chains, but fell 9.8 percent in independents.

As the average food store backs off from the color cosmetic category, their sales of segments like face makeups continue to plummet. In 1991, Nielsen reports that face makeup sales in food stores were down 3.9 percent.

However, the strongest surge in face makeup sales came in the mass merchandise trade class. Nielsen reports face makeup sales in mass merchandise stores were up 13 percent versus a year ago. Once again, mass merchandiser performance in this category is getting stronger with each passing year. According to Neilsen, over the past five years, face makeup sales in mass merchandise stores increased 47 percent, an average rate of 8.1 percent a year.

In supermarkets doing over $2 million a year in sales—which account for 98 percent of all food store face makeup sales—category volume over the past five years has increased 42 percent, an average rate of of 7.3 percent a year. Last year, food store sales for makeup were down 3.9 percent, again an indicator of its abandonment of the category.

Chains, of course, are not abandoning the face makeup category, but mass merchandisers are encroaching on their strength in this business. Over the past five years, sales have increased 49 percent in chains, an average rate of 8.3 percent a year. Last year, their sales were only up 4.5 percent.

The numbers seem to indicate that the strategies chains are adopting to protect their cosmetic franchise are successful, in that they are still growing sales in some segments of cosmetics, but they also indicate that more work remains to be done and that chains must remain vigilant in the color cosmetic category or they may lose their dominance to the mass chains.

In 1991, eye color dollar sales were soft in every trade

Continued on page 108

Nail color: six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	63%	63%	64%	63%	64%	63%
Food	16	17	17	18	18	16
Mass	21	20	19	19	18	21

Source: Nielsen Marketing Research.

Eye makeup: six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	57%	56%	58%	57%	56%	56%
Food	20	21	21	22	23	21
Mass	23	23	21	21	21	23

Source: Nielsen Marketing Research.

Face makeup, lip color show strongest growth

Continued from page 106

class except mass the merchandise stores.

Buyers tell *Drug Store News* this was partly due to promotional wars in the mascara category, as Maybelline, L'Oréal and Revlon particularly battled for growth and share, using such weapons as $2 off promotions, coupons and price discounts.

The category has been soft for several years now and was down again in 1991 and the first half of 1992, buyers say.

However, a number of manufacturers now have some interesting new launches in shadows, and if they are as successful as buyers think they can be, the category could rebound dramatically in the second half of 1992. Cover Girl, L'Oréal, Revlon and Max Factor all have new products in this category, and some, like the new Cover Girl Breeze On shadows, are ready to bring new users into the category.

But for 1991, Nielsen reports that eye color sales overall were down 3.6 percent in mass market stores.

Chains took a 3.6 percent decline in dollar volume while food stores took a 9.6 percent hit.

Mass merchandisers were the only trade class to register growth in this cosmetic segment: up 5.6 percent in dollar sales. For the past five years, sales of eye color cosmetics are up 11 percent in mass merchandise stores, an average rate of 2 percent a year.

Over the past five years, eye color sales have increased 19 percent in chains, an average rate of 3.5 percent a year.

Last year, as stated earlier, their eye color sales were down 3.6 percent, so their growth in this category segment is being impaired by the competition.

Supermarkets doing over $2 million a year in sales account for 98 percent of all food store eye color sales; those sales, over the past five years, have increased 18 percent, an average rate of 3.3 percent a year. Last year, their sales in this category were down 9.7 percent, a reflection of their abandonment of the category.

Nail color

For nail color in 1991, Nielsen reports that three outlet mass sales were down 2.7 percent over last year.

Drug store cosmetic buyers tell *Drug Store News* that sales are flat because there is nothing new or exciting in the category—just the routine introduction of new shade collections and new holiday promotions.

However this year, two companies, Price Matchabelli with Cutex Color Quick and CCA with its 60-Second Instant Drying Nail Enamel, are coming out with innovative fast drying formulas that may create a sales resurgence in nail color, and some companies like Clarion, Revlon and Max Factor are repackaging their existing lines and that might help sales.

But for 1991, Nielsen reports that chains took a 3.0 percent decline in dollar volume while food store sales dropped 9.9 percent.

Mass merchandisers were again the only trade class to register growth in this cosmetic segment: up 11.9 percent in dollar sales. For the past five years, sales of nail color cosmetics have increased 2 percent in mass merchandiser stores, an average rate of 0.4 percent a year.

Over the past five years, sales have increased 9 percent in chains, an average rate of 1.8 percent a year, but as we said, last year, in chains, sales were down 3.0 percent.

Supermarkets doing over $2 million a year in sales account for 98 percent of all food store nail color sales; those sales, over the past five years, have increased 2 percent, an average rate of 0.4 percent a year. Last year, their sales in this category were down 9.9 percent.

Men's fragrances: Six-year dollar sales share trends by trade class
(After shaves and colognes)

Trade class	1986	1987	1988	1989	1990	1991
Drug	61%	62%	63%	60%	59%	58%
Food	17	17	17	18	18	17
Mass	22	21	20	22	23	25

Source: Nielsen Marketing Research.

Men's fragrances: six-year dollar sales trends by trade class
(After shaves and colognes)

Trade class	1986	1987	1988	1989	1990	1991
Drug	$326	$349	$377	$391	$393	$374
Food	88	93	105	113	116	114
Mass	120	117	122	144	153	159
Total	534	559	603	648	662	647

Source: Nielsen Marketing Research.

Fragrances

With a few exceptions such as Coty and Cover Girl fragrances, sales of mass market scents in mass outlets have softened in recent years, hurt to a large extent by the easy availability of diverted department store fragrances at stores such as Walgreens and Wal-Mart at discounted prices.

In 1991, Nielsen reports the category was flat, with dollar sales declining 0.9 percent.

The men's fragrance category, colognes and after shaves, registered the sharpest declines, down 2.2 percent. Buyers report this reflects what they see happening in their stores. More consumers are buying department store fragrances like Drakkar Noir and Polo in mass stores; that is hurting the sales of mass lines such as Chaps, Stetson and Old Spice.

Mass merchandise stores were the only trade class recording growth in this segment, up 4.1 percent in dollar sales. For the past five years, sales of men's fragrances have increased 33 percent in those stores, an average rate of 5.8 percent a year.

Over the past five years, men's fragrance sales have increased 25 percent in chains, an average rate of 4.5 percent a year, but last year, those sales were down 2.1 percent.

Supermarkets doing over $2 million a year in sales account for 96 percent of all food store men's fragrance sales; those sales, over the past five years, have increased 18 percent, an average rate of 3.4 percent a year. Last year, their sales in this category were down 1.9 percent.

In the women's fragrance category in 1991, three outlet combined sales were up 0.2 percent versus 1990.

Coty has been instrumental in driving mass merchandise women's fragrance sales with the launch of exciting new brands such as Ex Cla Ma Tion and L'Effleur, and Procter & Gamble has been very successful with its first mass fragrance, Navy, and to some extent, this year's Incognito. Quintessence, a much smaller company than P&G, has also done an excellent job with sleeper fragrances such as Jovan White Musk and Aspen for Men and Women.

But with these few exceptions, not much has been happening in mass women's fragrances, and chains are reporting that their growth in the fragrance category is coming from the sales of department store lines such as Eternity, Obsession and Beautiful.

CENTE
WHY PAY MORE
25%

Buyers say women are responding well to the new launches of upscale skin care mass lines that deliver good value as well as pleasing results.

This could change in late 1992 when Coty will ship two new scents, Gravity for Men and Truly Lace for Women; Quintessence will launch Jovan White Musk for Men and Caliente, and Revlon and Cosmair will reportedly be kicking in stronger support for their fragrances at Christmas.

But for 1991, Nielsen reported that sales of women's fragrances in chain drug outlets were only up 1.9 percent from 1990. Over the past five years, women's fragrance sales have increased 24 percent in chains, an average growth rate of 4.4 percent a year.

Nielsen does not track women's fragrance sales in food stores, but in mass merchandise stores, it reports that sales were up 1.7 percent in 1991 versus 1990. For the past five years, sales of women's fragrances have decreased 2 percent in mass merchandiser stores, an average decline of 0.3 percent a year.

Mass merchandise stores haven't been as active in the fragrance category as in color cosmetics because, in most instances, they lack the service help that could discourage customers from stealing the higher end lines like Vanderbilt or Beautiful. But now that some chains have begun testing department store fragrances in a boutique presentation, they are hiring more sales clerks or cosmeticians to service these departments.

If that trend proves successful, in its current test in chains like Wal-Mart and Target, it could be expanded, and that would mean more competition for drug stores for all types of fragrance sales.

Women's fragrances: Six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	86%	88%	89%	89%	88%	88%
Mass	14	12	11	11	12	12

Food store sales trends are not available.
Source: Nielsen Marketing Research.

Women's fragrances: six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$621	$628	$634	$671	$715	$715
Mass	100	88	82	83	97	98
Total	721	716	715	754	812	813

Food store sales trends are not available.
Source: Nielsen Marketing Research.

NIELSEN HIGHLIGHTS

sunscreens and sunblocks

Marketing highlights

This category had all-outlet sales of $127 million during the 52-weeks ending March 16, 1991 (up 16 percent against 1990). Unit sales of 24.7 million were up 13 percent from last year. The average price reported by consumers was $5.14 per unit, an increase of 3 percent from 1990. (Units are the total number of items purchased, not equivalized.)

Household penetration grew by 1.2 points to 15.8 percent of the 94.7 million U.S. households. Each of the 15.0 million households purchasing the category this year spent an average of $8.46. They purchased the category at a rate of 1.3 times during the year, buying on average, 1.2 units on each occasion.

Consumers reported using coupons with 9 percent of their purchases (down 1 point from last year) and that 23 percent of the units were bought on some type of retailer promotion (unchanged).

Mass merchandisers led channel performance with 31 percent of annual unit sales. Almost 5 percent of U.S. households (35 percent of category buyers) purchased an average of 1.5 units each through this channel last year. Other non-food stores showed the greatest increase in purchase rate, growing to 2.1 units per buying household. This channel accounts for 7 percent of total unit sales.

Non-food outlets account for 67 percent of the category's purchased unit volume. Net household penetration is 11 percent for non-food channels, or about 69 percent of category buyers used the outlet for at least one purchase.

Trade channels — Share of all-outlet unit sales

Supermarkets 29% (unit/buyer = 1.5, penetration = 5% of hhlds)

Convenience stores 1% (unit/buyer = 1.2, penetration = <1% of hhlds)

Warehouse clubs 1% (unit/buyer = 1.7, penetration = <1% of hhlds)

Other food 2% (unit/buyer = 1.2, penetration = <1% of hhlds)

Drug stores 29% (unit/buyer = 1.5, penetration = 5% of hhlds)

Mass merchandisers 31% (unit/buyer = 1.5, penetration = 5% of hhlds)

Other non-food 7% (unit/buyer = 2.1, penetration = 1% of hhlds)

Consumer characteristics

The lifestage group with the highest purchase index is "maturing families." They represent 21 percent of total U.S. households and account for 32 percent of unit sales (index = 152). Household penetration for this group is 22 percent; average price paid is $4.71 per unit. The Pacific geographic area (18 percent of total U.S. households) has the highest purchase index, accounting for 21 percent of unit volume (index = 117).

Purchase dynamics	1990	1991	Change
Household penetration	14.6%	15.8%	1.2 pts
Purchase occasions (annual)	1.3	1.3	1.8%
Units per purchase	1.2	1.2	1.7%
Dollars per purchase	$6.03	$6.29	4.3%
One-time buyers	65%	66%	1 pt.
Male primary purchase	18%	22%	4 pts.

1991 Buyers Characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	13%	53%	52%
Households with children<13	28	22	40	41
Households with any teenagers	14	18	15	17
White households	86	17	92	92
Black households	11	8	5	5
Hispanic households	6	16	6	6
Metro (A and B counties)	72	16	74	73
Households with cable	59	16	61	63

Lifestage group — Share of all outlet unit sales

Young singles 4% (index = 82, price = $5.19, penetration = 14%)

Young cpls — NoChld 5% (index = 91, price = $5.39, penetration = 17%)

New families 11% (index = 134, price = $5.04, penetration = 23%)

Maturing families 32% (index = 152, price = $4.71, penetration = 22%)

Established families 7% (index = 95, price = $4.72, penetration = 16%)

MidAge singles 7% (index = 95, price = $5.18, penetration = 15%)

MidAge cpls — NoChld 10% (index = 103, price = $5.97, penetration = 14%)

Empty nesters 17% (index = 76, price = $5.30, penetration = 13%)

Older singles 7% (index = 50, price = $5.55, penetration = 8%)

Geographic region — Share of all-outlet unit sales

Northeast 24% (index = 109, price = $4.78, penetration = 17%)

East Central 14% (index = 101, price = $4.98, penetration = 16%)

West Central 12% (index = 74, price = $5.10, penetration = 13%)

South 29% (index = 97, price = $5.24, penetration = 16%)

Pacific 21% (index = 117, price = $5.53, penetration = 18%)

Source: Nielsen Marketing Research, NPD/Nielsen Inc.

Lifestage group definitions

1. Young singles: Single-member households with either a female or male aged 18 to 34.
2. Childless younger couples: Two-plus member households with no children and either a female head aged 18 to 34 with a male head 18 to 44, or a male head aged 18 to 34 with a female head aged 18 to 44.
3. New families: households with only pre-school age children under six years old.
4. Maturing families: households with children not all under 6, or all older than 12 years old.
5. Established families: households with only teenage children, those older than 12 years old.
6. Middle-age singles: single-member households with either a female or male aged 35 to 54.
7. Middle-age childless couples: two-plus member households with no children, and either a female head aged 35 to 54 with no male head, or a male head aged 35 to 54; or a male head aged 35 to 54 with no female head, or a female head aged 35 to 54.
8. Empty-nesters: two-plus member households with no children and either a female head aged 55 or more with no male head, or a male aged 55 or older.
9. Older singles: single-member households with either a female or male head aged 55 or older.

Other definitions

1. Index: 100 equals average household buying level.
2. Penetration: Percentage of households purchasing at least once during measured period.
3. Price: Average price paid.
4. Unit/buyer: Units purchased by household during measurement period.

DRUG STORE NEWS for the PHARMACIST

VOL. 2/NO. 6 The Journal of Retail Pharmacy JUNE 22, 1992

NEWS FOCUS

•Maryland pharmacists oppose the all-Pharm.D. degree by nearly two-to-one, according to a survey that raises questions about University of Maryland plans to mandate a six-year entry level program. Only 29 percent of the 2,466 licensed Maryland pharmacists responding favored the mandatory Pharm.D. scheme, and most of these conditioned their support on receiving Pharm.D. credentials without any further educational requirements. The poll, conducted by Nathan Associates for the Md. Assn. of Chain Drug Stores, found heavy opposition to the all-Pharm.D. plan among all segments of pharmacy including independents (57.4 percent opposed), hospital pharmacists (60.8 percent), and chain drug pharmacists (68.4 percent).

•Through a joint venture with the mail order firm of Allscripts Pharmaceuticals, Sears, Roebuck and Co. is offering pharmacy services to its catalog customers.

Ten million catalogs mailed in June will give Sears customers their first opportunity to order maintenance type prescription drugs and have them delivered to their home. Allscripts provides mail service prescriptions through the Sears catalog.

Once orders are received, Allscripts will ship prescriptions within 48 hours and accepts major credit cards. More than 10,000 drugs are available from Allscripts 30 pharmacists. Allscripts is a privately held company formed in 1986 and is located in Vernon Hills, Ill.

GENERIC BRAND
BRAND NAME

Generics make a comeback, can pharmacy trust them?

The fallout from the generic scandals is easing, ANDA approvals are on the rise again, and many of today's top selling brand name drugs will come off patent by 1995. All signs point to a dramatic rebound for the generic drug industry! But can pharmacists feel confident dispensing generics again? *Story begins on p.15.*

Leroy's confronts AIDS crisis 51
Stewart's bounces back from fire 56

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Publisher **JILL MANEE**
Editor **BRUCE BUCKLEY**
Pharmacy Editor **DIANNE THARP, R.Ph.**

Executive Editor **Al Heller**
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Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

REGIONAL SALES OFFICES

New York (212) 756-5220
Nat'l Accounts Manager: **Larry Krongold**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Area Manager: **Amanda Cimon**

Art Director **Bob Brokman**
Graphic Artist **Cate Johnson**
Director of Manufacturing **Stan Kaufman**
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CIRCULATION AND CE
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
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editor's note

Ostriches beware: the new standard of practice

Many of you have been ready for OBRA '90 since Medicaid Catastrophic threatened in 1988. Your computer already does prospective DUR, screens for allergies, checks for drug interactions and gives out patient information leaflets. All you need to add is diagnosis, OTC medication history and retrospective DUR capability. So get with your computer vendor for an upgrade. There are knowledge bases and software already prepared that meet all anticipated OBRA '90 requirements.

Have you turned off any of these vital functions in the mistaken notion that what you don't know can't hurt you? Or because all those interaction messages are slowing down the dispensing process? Or because you think you are less liable this way? Think again, compadre, and don't let a clever attorney find out.

Listening to a pharmacist/attorney at MediSpan's first annual users meeting last month, I learned that this is one piece of information he would *love* to have as attorney for the plaintiff who may be suing you for negligence. Imagine that you are defending yourself in court. How do you explain turning off the "bells & whistles" to an attorney defending someone injured after you dispensed contraindicated drugs? It's got to be a pretty good excuse to get you out of this one.

Imagine on the other hand that you are on the stand explaining that, in the interest of patient care and according to the standard of practice, you heard the bells and whistles, *but* used your professional judgment and dispensed the medicines anyway. That's much better. It's a lot more difficult, according to this prospective plaintiff's attorney, to prove a mistake in judgment was negligence. The attorney now has the burden of showing that your decision was substantially different from most other reasonable pharmacists in your area. If you have intentionally turned off the screens, negligence would be easier to prove, and punitive damages easier to award.

No computer? No bells and whistles? NO EXCUSE! When the standard of practice is elevated, you'll have to keep in your head what others keep in their computers. Good luck!

We have the technology today. Be sure to use it to its best advantage for your patient's best care.

Dianne M Tharp

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Generics on the comeback

Generic market share is rising, ANDA approvals are on an upswing, and the industry appears to be back on course. Is it time for government, consumers, and pharmacists to forgive and forget the generic drug scandals? Page 15.

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Any savings in home drug infusion therapy?

Home Drug Infusion Therapy—widely touted as an opportunity to reduce the nation's bulging health care budget—may not produce any significant savings for the Medicare program, researchers at the Congressional Office of Technology Assessment reported. Although Home Drug Infusion Therapy has been promoted as a technology that can shorten hospital stays for many elderly patients, it is "unlikely to lower Medicare costs in the short run."

The reason, according to the researchers, is that "Medicare pays hospitals on a per-patient basis" and discharging patients early because of HDIT "does not affect payments to hospitals."

Home drug infusion therapy could reduce Medicare costs if the program restricted HDIT to patients who could self-administer their own therapy, OTA said. In contrast, a broader eligibility standard "that allowed patients to go home with paid caretakers might raise Medicare costs."

GAO: pharmacy fraud victimizes 3rd-party

Although NARD is seeking legislation to curb anticompetitive collusion among third-party insurers, opponents of that plan may be able to draw fresh ammunition from a new General Accounting Office study suggesting that insurers should engage even more widely in "collaborative efforts."

Warning that "unscrupulous health care providers. . .cheat health insurance companies and programs out of billions of dollars annually," GAO concluded that limitations on "collaborative efforts" by health insurers to "confront fraudulent providers" is a key part of the problem.

Among the specific fraudulent practices cited by GAO: a scheme operated by a New York independent pharmacy which allegedly paid Medicaid recipients $10 to $40 for prescriptions. The pharmacists "then billed the state for the drugs in questions, but never actually provided them," the investigators said.

MIRC analyzes healthcare financing

The history of U.S. Healthcare financing and the current crisis is analyzed in a recent Market Intelligence report. Some of the highlights:

- rising insurance premiums are causing employers and government payers to decrease the breadth of healthcare coverage.
- employees are increasingly sharing the costs of healthcare benefits.
- some employers are limiting eligibility requirements, or dropping health coverage completely.
- 37 million Americans had no health insurance in 1991.
- HMOs, PPOs and ambulatory care facilities have flourished and should continue to expand in this era of rapidly rising costs and pressures to limit expenses.

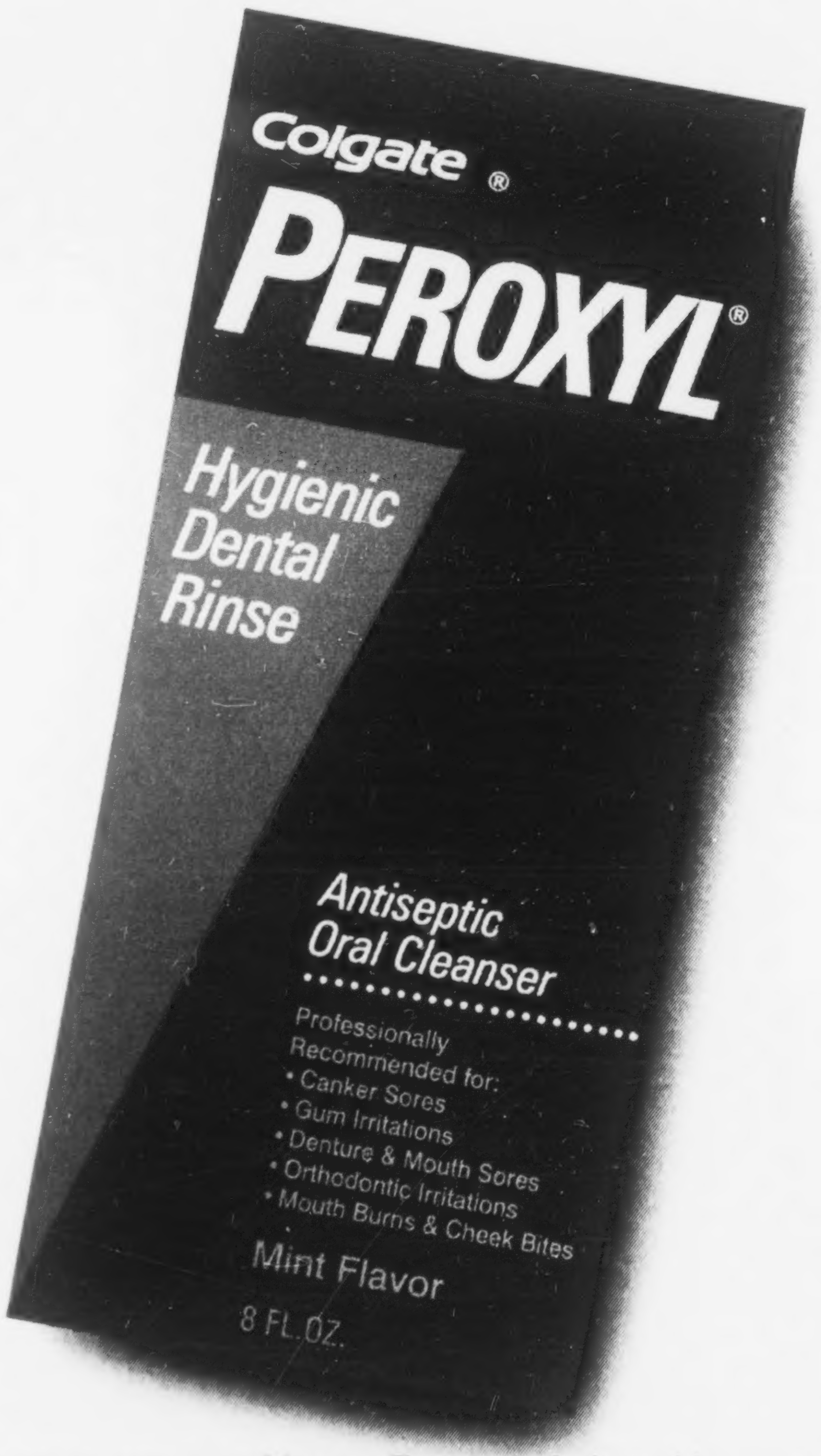
MIRC: (415) 961-9000.

Medicare enrollees and expenditures (U.S.)

Year	Total enrollees (millions)	Total expenditures ($ million)
1967	19.5	$ 4.74
1970	20.5	7.49
1975	25.0	16.32
1980	28.5	36.82
1985	31.1	72.29
1986	31.7	77.72
1987	32.4	82.03
1988	33.0	88.56
1989	33.7	99.27
1990	34.3	111.99

Note: all figures are rounded.   Source: Market Intelligence.

TIMOTHY FERVIS RECOMMENDS IT FOR INFLAMMATION AFTER A DELUXE PEPPERONI PIZZA BURN.



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Generics are on the comeback, but can pharmacy trust them?

GENERIC BRAND
BRAND NAME

By Ken Rankin

In the late 1980s, the pharmaceutical industry's 30-year family feud over the prescription market share finally appeared to be winding down. Generic drugs, once the black sheep of the marketplace, were emerging as a responsible alternative to their pricier brand-name cousins.

The knotty concerns over bioequivalence that had clouded the generic market for years were unraveling.

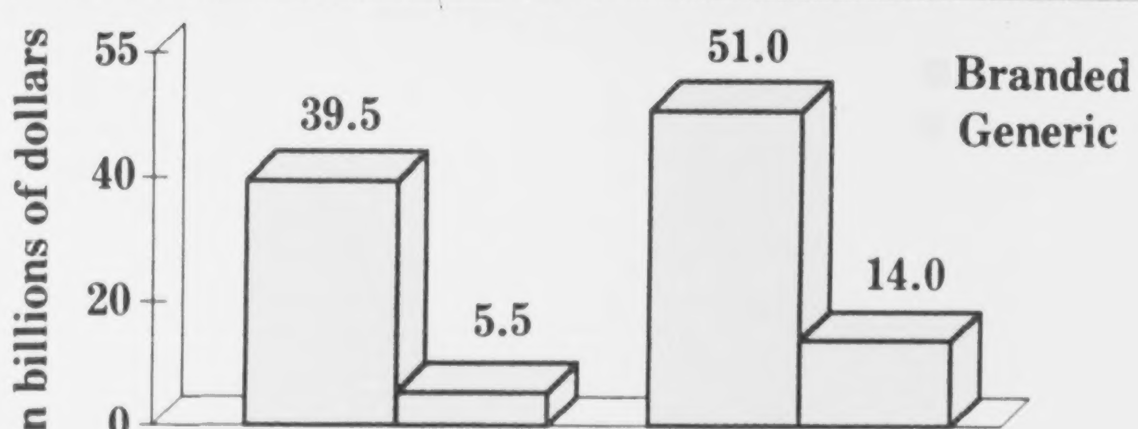
Third-party administrators in and out of government were designing intricate new mechanisms to maximize generic dispensing. And in Washington, the Waxman-Hatch Drug Price Competition Act had opened the gates for an upsurge in generic Abbreviated New Drug Applications (ANDAs) at FDA.

For their part, drug chains were building ambitious marketing programs to promote the availability of generic prescriptions, while consumer groups were urging the public to pressure pharmacists and prescribers to choose "cheaper generics."

But just as the acceptance of generics reached a high-water mark from Main Street to Wall Street, the fat hit the griddle.

Tipped off to suspected fraud within the FDA's elite Generic Drug Approval division, congressional investigators barged into the agency's headquarters in mid-1988 with subpoenas for records. As the scandals gradually unraveled, federal investigators uncovered a pattern of fraud, corruption and bribery that raised serious questions about generic drugs, and the ability of FDA officials to ensure their safety and effectiveness.

Generic vs. branded ethical drug sales in the U.S. 1991 and 1995



Total 1991 market: $45 billion
Total 1995 market: $65 billion

Frost & Sullivan, Inc.

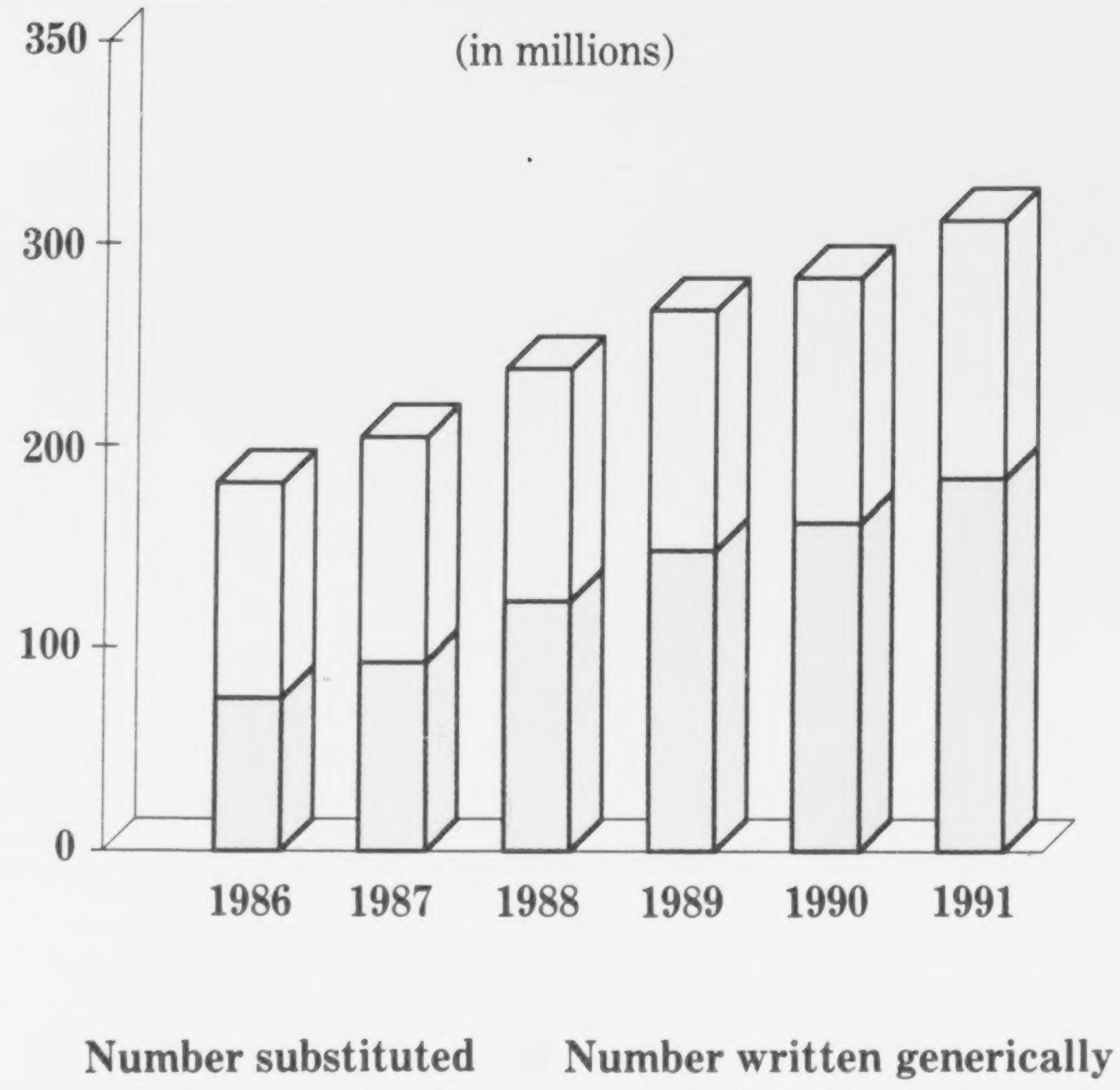
The activities uncovered by government investigators ranged from falsification of safety and effectiveness data to outright bribery of FDA chemists responsible for reviewing generic ANDAs. In several cases, federal officials discovered that in their haste to secure FDA approval for their products, generic drug sponsors had substituted the brand name product for their copy to ensure bioequivalence.

At last count, Health and Human Services Inspector General Richard Kusserow reported 27 convictions stemming from his office's investigation of the generic drug approval scandals, a number of industry execs and FDA officials have received prison terms, and Congress started clamoring for new legis-

Continued on page 16

Generics on the comeback; can pharmacy trust them?

Number of prescriptions involving pharmacist product choice



Source: IMS America, Ltd.

Industry exec looks into generic crystal ball

What's ahead for generics? William F. Haddad, chairman of the Generic Pharmaceutical Industry Association, and a long-time spokesman for the generic drug industry, sees major changes ahead in the marketplace during the next few years. Here's his prognosis:

Quite clearly by the end of the decade, there will be little left to a brand product's market share after a patent expires and the lines that distinguish the multisource from the innovator's product disappear.

Even the most wined and dined physician won't have the guts to put his name to a prescription requiring that it be filled with a branded product. Even if he had the guts, most state and federal and third-party reimbursement laws will prevent him from doing so. That, by itself, will push the two segments of the industry closer together.

What we look at as innovative today, will be routine in a matter of years, dictated by the pragmatics of the marketplace and not by politics. I look forward to that day. ■

Continued from page 15

lation to rein in the "scoundrels" in the generic pharmaceutical industry. (Last month Congress did act—approving a sweeping new generic "debarment" bill that authorizes the FDA to thumb down new drug applications for manufacturers who engage in fraudulent product approval practices.)

Confidence shaken

But the damage had been done. The scandals had shaken the nation's confidence in generic drugs and advocates of generics were expressing concern that the best hope for holding down the cost of medicine was slipping away.

But that was a year ago. Today there is a new sense of optimism encircling the generic drug marketplace. By most accounts, the worst is over for the generic industry, approvals of ANDAs is on the rise again, and according to many, it is once again "respectable" and "responsible" to advocate generic substitutes.

But is it really over? Is public acceptance in generic drugs on the upswing again? Can drug chains and independent pharmacists accept generics with the same level of confidence as five years ago?

The answers to those questions are of pressing concern to both community pharmacists and the nation's financially-strapped health care system.

Indeed, by 1995 at least 45 of today's top 50 brand name drugs will lose patent or market exclusivity protection. According to UDL Labs president Michael K. Reicher, the combined annual sales of the drugs that will be coming off patent over the next few years is close to $20 billion.

Reicher, who also serves as chairman of the generic industry's National Association of Pharmaceutical Manufacturers, maintains the "genericization" of these products "would save the public $8-$10 billion a year."

To realize those savings, the acceptance of generic drugs by the public, by prescribers, and by pharmacists will have to rise measurably—and that is exactly what appears to be happening.

Despite the adverse publicity sparked by the FDA scandals, both the number of generically written prescriptions and the generic substitution by pharmacists has been rising steadily since the mid-1980s.

In 1987, 25 percent of new scripts were filled with products of the pharmacist's choosing. By last year, IMS's Rx Audit revealed that the percentage of new scripts where pharmacists made a product choice decision reached a record 34 percent. . .

Researchers at Walsh America reported a similiar upswing in generic prescribing, as well as a noticeable drop in the proportion of scripts requiring brand name products. Fewer than half (47.6 percent) of the prescriptions written last year were "brand only," down from 50.7 percent in 1990, they said.

Analysts at HKS 7 Company contend that, if anything, generic drug market penetration is growing even faster than these figures suggest. Indeed, they estimate that during the second half of 1991 nearly 40 percent of all new prescriptions were filled generically and that the generic share of the new prescription market will reach 65 percent by 1995.

Growing dollar sales

Although the more expensive brand name pharmaceutical will continue to dominate the market in terms of dollar sales, generics figure to make inroads on this front as well.

Researchers at Frost & Sullivan predict that sales of "branded ethical drugs" will rise 29 percent between 1991 and 1995, from $39.5 billion to $51 billion. But during that same period they expect generic drug dollar volume to grow five times faster, from $5.5 billion to $14 billion—a gain of 155 percent in just four years.

It's these sharp increases and forecasts for even stronger acceptance of generics in the years ahead that are fueling a renewed sense of optimism throughout the industry.

Indeed, officials at some generic drug houses now say the scandals that created turmoil throughout the industry for the past few years may have been a blessing in disguise.

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Generics on the comeback

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“The generic drug industry is much stronger today than it was before the scandals, and the future for generic pharmaceuticals is brighter than it has ever been,” says Rugby-Darby president Michael Ashkin.

In large part, this is due to changes in top management at a number of generic firms.

“Until a couple years ago, this was an industry of entrepreneurs,” an official at NAPM explained. “There has been a changing of the guard—more and more companies are turning to seasoned professional managers, and the industry has matured significantly.”

Ashkin agrees, adding that this maturation process isn’t limited to ceos. “We’re seeing greatly upgraded middle management at many generic firms, and a lot of highly qualified people from brand name pharmaceutical houses are migrating to generic companies.”

New prescriptions where pharmacists chose product

1991	34%
1990	32
1989	30
1988	27
1987	25
1986	23

Source: IMS America, Ltd.

Better still, industry leaders say, the fallout from the recent scandals finally seems to be ending.

“That chapter is almost behind us,” says Bill Haddad, former vice chairman of Danbury Pharmaceuticals and long-time spokesman for the Generic Pharmaceutical Industry Association. “A few companies and a few individuals have yet to make their way through the criminal justice system, but for all practical purposes, the scandal is behind us,” he says.

Even more encouraging for generic drug manufacturers is the fact that the FDA process for approving generic “abbreviated new drug applications” (ANDAs) appears to be back on track.

In 1988, before the impact of the generic approval scandals hit home at FDA, agency officials cleared nearly 700 applications, according to researchers at Walsh America. The total fell to less than 300 the following year, and in 1990 FDA approved fewer than 100 generics.

The backlog of ANDAs awaiting FDA action grew to more than 1,000 applications as agency officials put generic reviews on hold while they reorganized approval practices.

According to some industry officials, this slowdown in FDA approval activity caused more injury to the generic drug market than the adverse publicity from the scandals.

”Our company’s sales didn’t suffer directly because of the scandals,” a top exec at one generic firm said. ”Pharmacists continued to have confidence in our drugs and they continued to buy them. But FDA’s inactivity during that period really hurt because it kept us from bringing out new products.”

That situation is changing now.

”The ANDA log jam is broken and approvals are beginning to flow,” Haddad said. ”Although ANDAs are not yet entirely predictable, this essential ingredient for planning and managing our growth is in place.”

In addition to moving ANDA approvals back on track, FDA is working to restore confidence in generics by establishing

Continued on page 22

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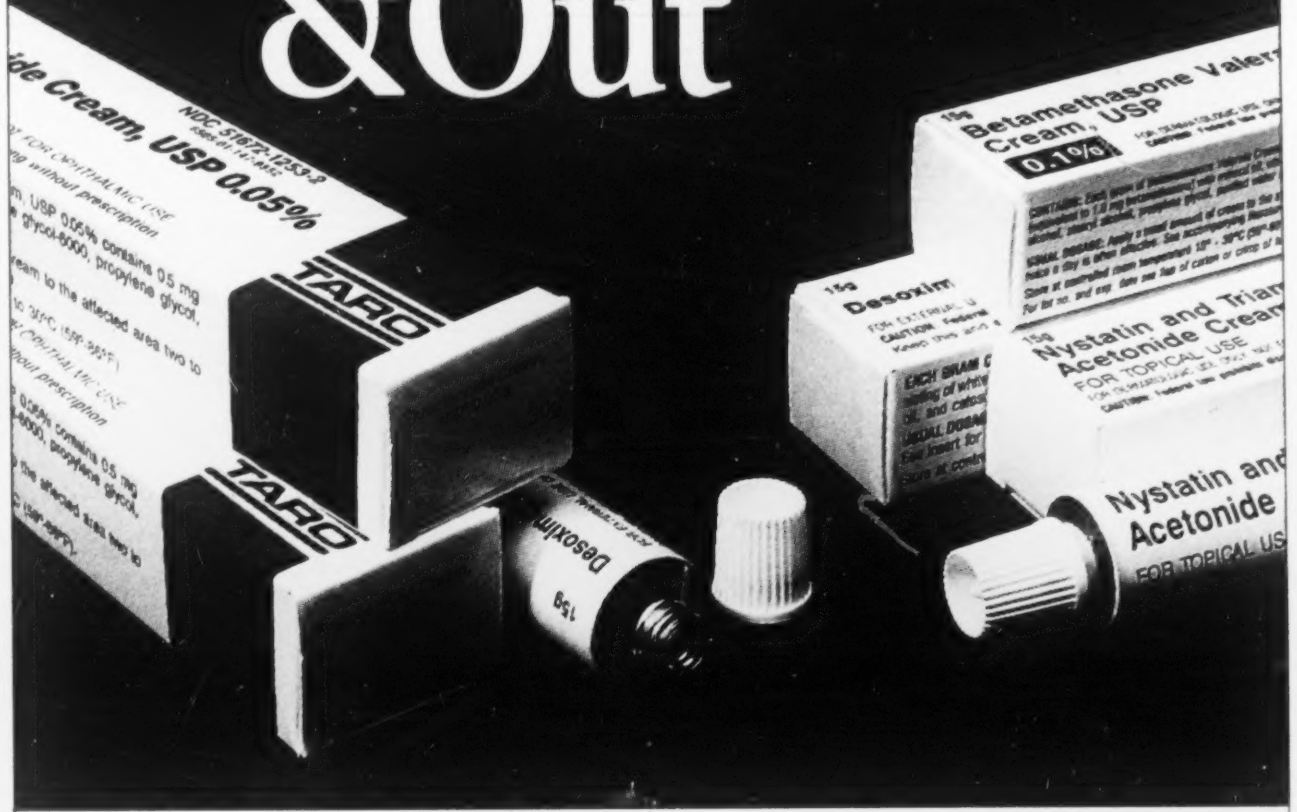

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NIFEDIPINE CAPSULES, USP

Brief Summary

INDICATIONS AND USAGE:

I. Vasospastic Angina: Nifedipine is indicated for the management of vasospastic angina confirmed by any of the following criteria: 1) classical pattern of angina at rest accompanied by ST segment elevation, 2) angina or coronary artery spasm provoked by ergonovine, or 3) angiographically demonstrated coronary artery spasm. In those patients who have had angiography, the presence of significant fixed obstructive disease is not incompatible with the diagnosis of vasospastic angina, provided that the above criteria are satisfied. Nifedipine may also be used where the clinical presentation suggests a possible vasospastic component but where vasospasm has not been confirmed, e.g., where pain has a variable threshold on exertion or in unstable angina where electrocardiographic findings are compatible with intermittent vasospasm, or when angina is refractory to nitrates and/or adequate doses of beta blockers.

II. Chronic Stable Angina (Classical Effort-Associated Angina): Nifedipine is indicated for the management of chronic stable angina (effort-associated angina) without evidence of vasospasm in patients who remain symptomatic despite adequate doses of beta blockers and/or organic nitrates or who cannot tolerate those agents.

In chronic stable angina (effort-associated angina) nifedipine has been effective in controlled trials of up to eight weeks duration in reducing angina frequency and increasing exercise tolerance, but confirmation of sustained effectiveness and evaluation of long term safety in these patients are incomplete.

Controlled studies in small numbers of patients suggest concomitant use of nifedipine and beta blocking agents may be beneficial in patients with chronic stable angina, but available information is not sufficient to predict with confidence the effects of concurrent treatment, especially in patients with compromised left ventricular function or cardiac conduction abnormalities. When introducing such concomitant therapy, care must be taken to monitor blood pressure closely since severe hypotension can occur from the combined effects of the drugs. (See WARNINGS.)

CONTRAINDICATIONS:

Known hypersensitivity reaction to nifedipine.

WARNINGS:

Excessive Hypotension: Although in most patients, the hypotensive effect of nifedipine is modest and well tolerated, occasional patients have had excessive and poorly tolerated hypotension. These responses have usually occurred during initial titration or at the time of subsequent upward dosage adjustment, and may be more likely in patients on concomitant beta blockers.

Severe hypotension and/or increased fluid volume requirements have been reported in patients receiving nifedipine together with a beta blocking agent who underwent coronary artery bypass surgery using high dose fentanyl anesthesia. The interaction with high dose fentanyl appears to be due to the combination of nifedipine and a beta blocker, but the possibility that it may occur with nifedipine alone, with low doses of fentanyl, in other surgical procedures, or with other narcotic analgesics cannot be ruled out. In nifedipine treated patients where surgery using high dose-fentanyl anesthesia is contemplated, the physician should be aware of these potential problems and, if the patient's condition permits, sufficient time (at least 36 hours) should be allowed for nifedipine to be washed out of the body prior to surgery.

Increased Angina and/or Myocardial Infarction: Rarely, patients, particularly those who have severe obstructive coronary artery disease, have developed well documented increased frequency, duration and/or severity of angina or acute myocardial infarction on starting nifedipine or at the time of dosage increase. The mechanism of this effect is not established.

Beta Blocker Withdrawal: Patients recently withdrawn from beta blockers may develop a withdrawal syndrome with increased angina, probably related to increased sensitivity to catecholamines. Initiation of nifedipine treatment will not prevent this occurrence and might be expected to exacerbate it by provoking reflex catecholamine release. There have been occasional reports of increased angina in a setting of beta blocker withdrawal and nifedipine initiation. It is important to taper beta blockers if possible, rather than stopping them abruptly before beginning nifedipine.

Congestive Heart Failure: Rarely, patients, usually receiving a beta blocker, have developed heart failure after beginning nifedipine. Patients with tight aortic stenosis may be at greater risk for such an event, as the unloading effect of nifedipine would be expected to be of less benefit to these patients, owing to their fixed impedance to flow across the aortic valve.

PRECAUTIONS:

General: Hypotension: Because nifedipine decreases peripheral vascular resistance, careful monitoring of blood pressure during the initial administration and titration of nifedipine is suggested. Close observation is especially recommended for patients already taking medications that are known to lower blood pressure. (See WARNINGS.)

Peripheral Edema: Mild to moderate peripheral edema, typically associated with arterial vasodilation and not due to left ventricular dysfunction, occurs in about one in ten patients treated with nifedipine. This edema occurs primarily in the lower extremities and usually responds to diuretic therapy. With patients whose angina is complicated by congestive heart failure, care should be taken to differentiate this peripheral edema from the effects of increasing left ventricular dysfunction.

Laboratory Tests: Rare, usually transient, but occasionally significant elevations of enzymes such as alkaline phosphatase, CPK, LDH, SGOT and SGPT have been noted. The relationship to nifedipine therapy is uncertain in most cases, but probable in some. These laboratory abnormalities have rarely been associated with clinical symptoms, however, cholestasis with or without jaundice has been reported. Rare instances of allergic hepatitis have been reported.

Nifedipine, like other calcium channel blockers, decreases platelet aggregation *in vitro*. Limited clinical studies have demonstrated a moderate but statistically significant decrease in platelet aggregation and increase in bleeding time in some nifedipine patients. This is thought to be a function of inhibition of calcium transport across the platelet membrane. No clinical significance for these findings has been demonstrated.

Positive direct Coombs test with/without hemolytic anemia has been reported.

Although nifedipine has been used safely in patients with renal dysfunction and has been reported to exert a beneficial effect in certain cases, rare, reversible elevations in BUN and serum creatinine have been reported in patients with pre-existing chronic renal insufficiency. The relationship to nifedipine therapy is uncertain in most cases but probable in some.

Drug Interactions: ***Beta-adrenergic blocking agents:*** (See INDICATIONS and WARNINGS.) Experience in over 1400 patients in a non-comparative clinical trial has shown that concomitant administration of nifedipine and beta-blocking agents is usually well tolerated, but there have been occasional literature reports suggesting that the combination may increase the likelihood of congestive heart failure, severe hypotension or exacerbation of angina.

Long acting nitrates: Nifedipine may be safely co-administered with nitrates, but there have been no controlled studies to evaluate the antianginal effectiveness of this combination.

Digitalis: Administration of nifedipine with digoxin increased digoxin levels in nine of twelve normal volunteers. The average increase was 45%. Another investigator found no increase in digoxin levels in thirteen patients with coronary artery disease. In an uncontrolled study of over two hundred patients with congestive heart failure during which digoxin blood levels were not measured, digitalis toxicity was not observed. Since there have been isolated reports of patients with elevated digoxin levels, it is recommended that digoxin levels be monitored when initiating, adjusting, and discontinuing nifedipine to avoid possible over- or under-digitalization.

Coumarin anticoagulants: There have been rare reports of increased prothrombin time in patients taking coumarin anticoagulants to whom nifedipine was administered. However, the relationship to nifedipine therapy is uncertain.

Cimetidine: A study in six healthy volunteers has shown a significant increase in peak nifedipine plasma levels (80%) and area-under-the-curve (74%) after a one week course of cimetidine at 1000 mg per day and nifedipine at 40 mg per day. Ranitidine produced smaller, non-significant increases. The effect may be mediated by the known inhibition of cimetidine on hepatic cytochrome P-450, the enzyme system probably responsible for the first-pass metabolism of nifedipine. If nifedipine therapy is initiated in a patient currently receiving cimetidine, cautious titration is advised.

Carcinogenesis, Mutagenesis, Impairment of Fertility: Nifedipine was administered orally to rats for two years and was not shown to be carcinogenic. When given to rats prior to mating, nifedipine caused reduced fertility at a dose approximately 30 times the maximum recommended human dose. *In vivo* mutagenicity studies were negative.

Pregnancy: Pregnancy Category C. Nifedipine has been shown to be teratogenic in rats when given in doses 30 times the maximum recommended human dose. Nifedipine was embryotoxic (increased fetal resorptions, decreased fetal weight, increased stunted forms, increased fetal deaths, decreased neonatal survival) in rats, mice and rabbits at doses of from 3 to 10 times the maximum recommended human dose. In pregnant monkeys, doses 2/3 and twice the maximum recommended human dose resulted in small placentas and underdeveloped chorionic villi. In rats doses three times maximum human dose and higher caused prolongation of pregnancy. There are no adequate and well controlled studies in pregnant women. Nifedipine should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus.

ADVERSE REACTIONS:

In multiple-dose U.S. and foreign controlled studies in which adverse reactions were reported spontaneously, adverse effects were frequent but generally not serious and rarely required discontinuation of therapy or dosage adjustment. Most were expected consequences of the vasodilator effects of nifedipine.

Adverse Effect	Nifedipine (%) (N=226)	Placebo (%) (N=235)
Dizziness, lightheadedness, giddiness	27	15
Flushing, heat sensation	25	8
Headache	23	20
Weakness	12	10
Nausea, heartburn	11	8
Muscle cramps, tremor	8	3
Peripheral edema	7	1
Nervousness, mood changes	7	4
Palpitation	7	5
Dyspnea, cough, wheezing	6	3
Nasal congestion, sore throat	6	8

There is also a large uncontrolled experience in over 2100 patients in the United States. Most of the patients had vasospastic or resistant angina pectoris, and about half had concomitant treatment with beta-adrenergic blocking agents. The most common adverse events were:

Incidence Approximately 10%

Cardiovascular: peripheral edema
Central Nervous System: dizziness or lightheadedness
Gastrointestinal: nausea
Systemic: headache and flushing, weakness

Incidence Approximately 5%

Cardiovascular: transient hypotension

Incidence 2% or Less

Cardiovascular: palpitation
Respiratory: nasal and chest congestion, shortness of breath
Gastrointestinal: diarrhea, constipation, cramps, flatulence
Musculoskeletal: inflammation, joint stiffness, muscle cramps
Central Nervous System: shakiness, nervousness, jitterness, sleep disturbances, blurred vision, difficulties in balance
Other: dermatitis, pruritus, urticaria, fever, sweating, chills, sexual difficulties.

Incidence Approximately 0.5%

Cardiovascular: syncope. Syncopal episodes did not recur with reduction in the dose of nifedipine of concomitant antianginal medication.

Incidence Less Than 0.5%

Hematologic: thrombocytopenia, anemia, leukopenia, purpura
Gastrointestinal: allergic hepatitis
Oral: gingival hyperplasia
CNS: depression, paranoid syndrome
Special Senses: transient blindness at the peak of plasma level
Other: erythromelalgia, arthritis with ANA (+)

Several of these side effects appear to be dose related. Peripheral edema occurred in about one in 25 patients at doses less than 60 mg per day and in about one patient in eight at 120 mg per day or more. Transient hypotension, generally of mild to moderate severity and seldom requiring discontinuation of therapy, occurred in one of 50 patients at less than 60 mg per day and in one of 20 patients at 120 mg per day or more. Very rarely, introduction of nifedipine therapy was associated with an increase in anginal pain, possibly due to associated hypotension.

In addition, more serious adverse events were observed, not readily distinguishable from the natural history of the disease in these patients. It remains possible, however, that some or many of these events were drug related. Myocardial infarction occurred in about 4% of patients and congestive heart failure or pulmonary edema in about 2%. Ventricular arrhythmias or conduction disturbances each occurred in fewer than 0.5% of patients.

In a subgroup of over 1000 patients receiving nifedipine with concomitant beta blocker therapy, the pattern and incidence of adverse experiences was not different from that of the entire group of nifedipine treated patients. (See PRECAUTIONS).

In a subgroup of approximately 250 patients with a diagnosis of congestive heart failure as well as angina, dizziness or lightheadedness, peripheral edema, headache or flushing each occurred in one in eight patients. Hypotension occurred in about one in 20 patients. Syncope occurred in approximately one patient in 250. Myocardial infarction or symptoms of congestive heart failure each occurred in about one patient in 15. Atrial or ventricular dysrhythmias each occurred in about one patient in 150.

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cover story

Generics are on the comeback

Continued from page 19

more stringent testing requirements for these products.

Under the new ground rules, many generics in the pipeline will have to undergo the same type of extensive clinical trials that are required for innovator products, and chemical testing requirements have been stiffened as well. As one industry official put it, "ANDAs are becoming more and more like NDAs."

These new and more rigorous bioequivalency standards should reassure pharmacists about the safety and effectiveness of generic drugs, but they will also have an impact on the marketplace.

The cost of satisfying the new FDA generic testing requirements will have a measurable effect on the price of new generic drugs, and on the ability of some smaller manufacturers to obtain ANDAs in the future, a corporate exec at one major generic firm told *Drug Store News.*

"Under the more stringent standards it can cost $500,000 to satisfy the testing requirements for a new generic cream or ointment, and this expense is going to be a major barrier to smaller companies in the industry," she said.

The new ANDA testing ground rules may also slow down the introduction of low-cost generic competitors. Already several widely prescribed pharmaceuticals have come off patent, yet delays related to FDA's new requirements have kept generic versions off the market, industry officials say.

To offset these delays, NAPM chairman Reicher has challenged FDA to design "a more efficient approval system" to "bring safe, effective, economical generic drugs to the market as quickly as possible."

For their part, FDA officials say they are hammering out new systems to speed generic approvals, including a time-saving approach that Roger Williams, FDA generic drugs director, calls the "one-shot ANDA."

In outlining this plan at an NAPM workshop earlier this spring, Williams said the

Continued on page 24

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NORTRIPTYLINE HYDROCHLORIDE CAPSULES, USP
ABBREVIATED PRODUCT INFORMATION,
INDICATIONS AND USAGE

Nortriptyline hydrochloride is indicated for the relief of symptoms of depression. Endogenous depressions are more likely to be alleviated than are other depressive states.

CONTRAINDICATIONS

The use of nortriptyline hydrochloride or other tricyclic antidepressants concurrently with a monoamine oxidase (MAO) inhibitor is contraindicated. Hyperpyretic crises, severe convulsions, and fatalities have occurred when similar tricyclic antidepressants were used in such combinations. It is advisable to have discontinued the MAO inhibitor for at least two weeks before treatment with nortriptyline is started. Patients hypersensitive to nortriptyline should not be given the drug. Cross-sensitivity between nortriptyline and other dibenzazepines is a possibility. Nortriptyline is contraindicated during the acute recovery period after myocardial infarction.

WARNINGS

Patients with cardiovascular disease should be given nortriptyline hydrochloride only under close supervision because of the tendency of the drug to produce sinus tachycardia and to prolong the conduction time. Myocardial infarction, arrhythmia, and strokes have occurred. The antihypertensive action of guanethidine and similar agents may be blocked. Because of its anticholinergic activity, nortriptyline should be used with great caution in patients who have glaucoma or a history of urinary retention. Patients with a history of seizures should be followed closely when nortriptyline is administered, inasmuch as this drug is known to lower the convulsive threshold. Great care is required if nortriptyline is given to hyperthyroid patients or to those receiving thyroid medication, since cardiac arrhythmias may develop. Nortriptyline hydrochloride may impair the mental and/or physical abilities required for the performance of hazardous tasks, such as operating machinery or driving a car; therefore, the patient should be warned accordingly. Excessive consumption of alcohol in combination with nortriptyline therapy may have a potentiating effect, which may lead to the danger of increased suicidal attempts or overdosage, especially in patients with histories of emotional disturbances or suicidal ideation. The concomitant administration of quinidine and nortriptyline may result in a significantly longer plasma half-life, higher AUC and lower clearance of nortriptyline.

Use in Pregnancy

Safe use of nortriptyline hydrochloride during pregnancy and lactation has not been established; therefore, when the drug is administered to pregnant patients, nursing mothers, or women of childbearing potential, the potential benefits must be weighed against the possible hazards. Animal reproduction studies have yielded inconclusive results.

Use in Children

This drug is not recommended for use in children, since safety and effectiveness in the pediatric age group have not been established.

PRECAUTIONS

The use of nortriptyline hydrochloride in schizophrenic patients may result in an exacerbation of the psychosis or may activate latent schizophrenic symptoms. If the drug is given to overactive or agitated patients, increased anxiety and agitation may occur. In manic-depressive patients, nortriptyline may cause symptoms of the manic phase to emerge. Administration of reserpine during therapy with a tricyclic antidepressant has been shown to produce a "stimulating" effect in some depressed patients. Troublesome patient hostility may be aroused by the use of nortriptyline. Epileptiform seizures may accompany its administration, as is true of other drugs of its class. Close supervision and careful adjustment of the dosage are required when nortriptyline is used with other anticholinergic drugs and sympathomimetic drugs. Concurrent administration of cimetidine and tricyclic antidepressants can produce clinically significant increases in the plasma concentrations of the tricyclic antidepressant. The patient should be informed that the response to alcohol may be exaggerated. When it is essential, the drug may be administered with electroconvulsive therapy, although the hazards may be increased. Discontinue the drug for several days, if possible, prior to elective surgery. The possibility of a suicidal attempt by a depressed patient remains after the initiation of treatment; in this regard, it is important that the least possible quantity of drug be dispensed at any given time. Both elevation and lowering of blood sugar levels have been reported. A case of significant hypoglycemia has been reported in a type II diabetic patient maintained on chlorpropamide (250 mg/day), after the addition of nortriptyline (125 mg/day).

ADVERSE REACTIONS

Note: Included in the following list are a few adverse reactions that have not been reported with this specific drug. However, the pharmacologic similarities among the tricyclic antidepressant drugs require that each of the reactions be considered when nortriptyline is administered.

Cardiovascular - Hypotension, hypertension, tachycardia, palpitation, myocardial infarction, arrhythmias, heart block, stroke.

Psychiatric - Confusional states (especially in the elderly) with hallucinations, disorientation, delusions; anxiety, restlessness, agitation; insomnia, panic, nightmares; hypomania; exacerbation of psychosis.

Neurologic - Numbness, tingling, paresthesias of extremities; incoordination, ataxia, tremors; peripheral neuropathy; extrapyramidal symptoms; seizures, alteration in EEG patterns; tinnitus.

Anticholinergic - Dry mouth and, rarely, associated sublingual adenitis; blurred vision, disturbance of accommodation, mydriasis; constipation, paralytic ileus; urinary retention, delayed micturition, dilation of the urinary tract.

Allergic - Skin rash, petechiae, urticaria, itching, photosensitization (avoid excessive exposure to sunlight); edema (general or of face and tongue), drug fever, cross-sensitivity with other tricyclic drugs.

Hematologic - Bone-marrow depression, including agranulocytosis; eosinophilia; purpura; thrombocytopenia.

Gastrointestinal - Nausea and vomiting, anorexia, epigastric distress, diarrhea, peculiar taste, stomatitis, abdominal cramps, black-tongue.

Endocrine - Gynecomastia in the male; breast enlargement and galactorrhea in the female; increased or decreased libido, impotence; testicular swelling; elevation or depression of blood sugar levels; syndrome of inappropriate ADH (antidiuretic hormone) secretion.

Other - Jaundice (simulating obstructive); altered liver function; weight gain or loss; perspiration; flushing; urinary frequency, nocturia; drowsiness, dizziness, weakness, fatigue; headache; parotid swelling; alopecia.

Withdrawal Symptoms - Though these are not indicative of addiction, abrupt cessation of treatment after prolonged therapy may produce nausea, headache, and malaise.

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DAN-ZZI

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Generic houses in top 20 Rx volume in 1991

Ranking	Company	No. of Rx in millions	Percentage increase over last year
2	Rugby	84	4.6%
13	Goldline	35	– 4.7
14	Geneva	34	6.2
18	Mylan	33	19.8

Generic drugs in top 20 prescription volume in 1991

Ranking	Drug name	No of Rx in millions	Percentage increase over last year
3	Acetaminophen with codeine	20	2.9%
6	Amoxicillin	18	21.1
14	Cephalexin	14	24.7
15	Furosemide	13	6.5
17	Propoxyphene napsylate	12	12.8

Source: Walsh America-PDS.

Generics making a come back

Continued from page 22

key to streamlining the ANDA process is to get manufacturers to submit cleaner applications.

Under his "one-shot ANDA" plan, sponsors who file "high quality" generic drug applications would undergo an initial FDA review, address recommendations arising from that review, and then obtain marketing approval following a second review.

Williams is also developing a separate system to shorten the generic approval process by providing "early rejections" to sponsors who submit poorly executed ANDAs.

Instead of waiting eight to 10 months to reject a clearly unacceptable submission, the new approach would dismiss flawed ANDAs on a "first cut" basis to save time for reviewers and ANDA applicants.

Streamlining FDA's drug approval process — long a top priority among brand name pharmaceutical manufacturers — is now an increasingly important concern for generic producers for the same reason.

With dozens of top-selling drugs due to come off patent over the next 36 months, generic manufacturers are growing increasingly sensitive to the need to bring their versions out quickly.

Indeed, some industry observers maintain that the stakes in the marketplace have risen to such a level that brand-name and generic segments are putting aside their historic rivalries to jointly market certain products.

Under this approach, a brand-name manufacturer will license a generic firm to produce its version before patent expires. In return for granting this head start, the brand name company receives a cut of the profits from future generic sales.

Both sides can benefit significantly from such an arrangement, Haddad contends. "If a strong generic company is the first to market, it stands a good chance of holding on to a significant share of that market when patent protection officially ends," he says.

But brand name firms also come out ahead because they share in those enhanced future generic profits, he explains.

"In one case I reviewed, the net advantage to the brand name company over a three year period was well over fifty million dollars."

Continued on page 30

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Circle #035 on Reader Service Card

With quality issue largely settled, generics booming, say pharmacists

By James Frederick

By all indications, the storm has passed for the generic drug industry. And retailers agree.

The industry and its support among both health care professionals and consumers seems to be at an all-time high. Given the pressures among federal and state governments, private insurers, employers and consumers themselves to control health care costs with cheaper medications, the growing support for generics is almost guaranteed.

"The scandal is over," said Dan Connolly, pharmacy supervisor for the Bartell Drug Co. in Seattle. "We still have problems with supply, but our overall share of the business is actually up."

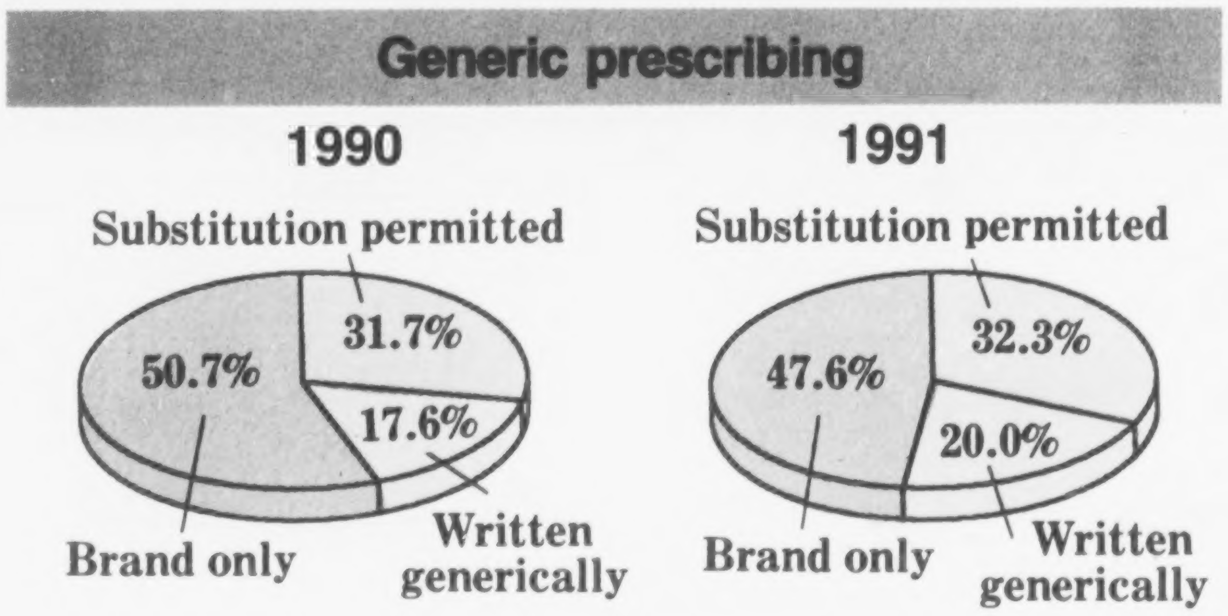
Added John Langtry, pharmaceutical buyer for Gouverneur, N.Y.-based Kinney Drugs, "I have no problem with the scandal of two years ago. Our [generic drug] sales are improving all the time." He added that generics now constitute 45 percent to 50 percent of total script volume, and predicted that the generic volume wouldn't peak until it had captured "a good two-thirds" of total scripts dispensed nationwide. Kinney promotes generics in store signing and ads.

A boom decade?

Indeed, the surviving generics manufacturers—and that's most of the big suppliers, plus a slew of younger, smaller niche players—are ripe for what many predict will be a boom decade for the generics business.

But prior to the boom, generic houses still must grapple with other problems besides the slow pace of FDA approvals. Among them: the sluggish pace of FDA approvals of ANDAs—which plummeted from about 700 in 1988 to well under 100 last year. Rampant price competition and the slow approval process have crimped profits for many generics houses and forced a few weaker players out of the business, as well.

Adequate supplies are a problem for some types of drugs at some pharmacies. According to Bartell's Connolly, the shortage is due to the lifting of some approvals on existing generic drugs by a tougher FDA in the wake of the scandals, and a partial shakeout that has cut the number of suppliers for some drug products.



Nevertheless, all these problems pale in comparison to the seeming crisis the industry weathered two years ago. More than anything, that crisis was resolved by the restoration of trust and the perception of quality in generic products among physicians, pharmacists and consumers.

"At first, our pharmacists were very cautious and reluctant to recommend generics, but most pharmacists and customers have gotten over that," said Maurice Keltsch, president and pharmacy department manager at Keltsch Bros., a drug chain in Fort Wayne, Ind. "The scandal is behind them, and the generics on the market now are generally trusted."

Keltsch said about 12 percent of his chain's total scripts are filled generically, but that share is growing.

At Lewis Drugs in Sioux Falls, S.D., generics now comprise roughly a third of all scripts filled, and their share continues to go up as third-party payers mandate substitution and more consumers request it. "Consumers will ask our pharmacists' opinion, and they're fairly trusting" of the generic recommendations, said chief pharmacist Bill Ludwig.

"There's a tremendous savings with generics—at least 50 percent and sometimes more . . . and we reinforce the fact that the [generic] drug companies we buy from are AB-rated.

Time to grow up

"I think [the industry] is coming back," Ludwig concluded, saying he feels "comfortable" with the companies Lewis buys from. "In a way, this has been a positive thing," he said. "It's been educational for all of us, and made us more aware of what companies we're dealing with. We look at things a little more carefully. So the consumer has probably benefited."

Agreed Gene Goldberg, a spokesman for the National Association of Pharmaceutical Manufacturers, a generic industry group, "The generic scandal has been the best thing that happened to the industry. It forced a growing-up."

Indeed, the question of product quality was never in doubt for some pharmacists and pharmacy directors. "I don't think bioequivalence was ever an issue," noted Connolly. "The majority of the problems were with wrong filings, paperwork, that sort of thing. Overall, pharmacists still trust generics."

As a result, he said, generic drugs now comprise "close to 40 percent of our total script volume" vs. 35 to 36 percent prior to the FDA problems.

Mandates favor growth

State mandates are also working in favor of continued generic growth. New York, for instance, mandates generic substitution by pharmacists unless the prescribing physician specifies brand-only.

Paul Schiavi, pharmaceutical buyer for Perry Drug, agrees that state mandates and third-party requirements are causing strong increases in generic dispensings. Mandates aside, this Michigan chain's confidence in generics is evident in its goal of increasing generic dispensing from the current 43 percent to 50 percent. "We push generics every day," says Schiavi. "Our generic program is something we monitor, because if you lay off and relax, it's something that could slip." Generics' traditionally strong margins and low-price appeal are behind this promotional effort.

To stimulate pharmacist selection of generics, Perry's bonus plan includes a generic incentive. Working with generic companies, Perry has also done actual, direct target marketing to consumers. For example, with price-saving reminders printed on receipts, Perry increased generic birth control pill dispensing from 300 to 2,000 BCPs/cycle. Given these promotional efforts and "all the drugs coming off patent in the next few years, I'm sure we'll reach our goal," says Schiavi. ■

Pharmacists hold the key to growth of incontinence category

Increasing awareness of adult urinary incontinence and growing elderly populations present pharmacists with new counseling opportunities as they help consumers cope with bladder control problems and understand the variety of products and treatments now available. Pharmacists' credibility and knowledge of the condition will be key in ensuring that drug stores maintain their market share as the category expands.

"One of the most frequent things we hear is that people aren't getting sufficient information about incontinence from prescribing physicians and pharmacists," said Katherine Jeter, executive director of Help for Incontinent People (HIP).

For 10 years, Jeter has served as executive director of HIP, a non-profit, privately funded organization that has flourished because of the enormous demand people have for information regarding incontinence. She sometimes responds to as many as 50 letters a day from people with incontinence problems.

"The pharmacist has a lot of credibility and so far, is an untapped resource for this product," adds Andrew Simon, president of Confab Companies. Confab's manufacturing division, ICD, produces private label products for Walgreens, Eckerd, CVS and Rite Aid, and commands a 30 percent share of the incontinent market.

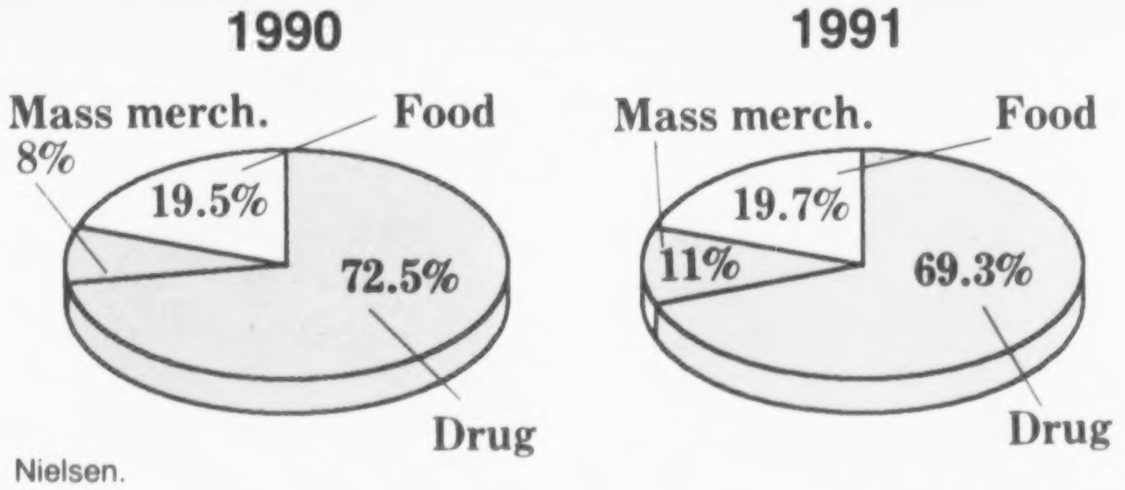
According to Simon, pharmacists give drug stores the leverage they need to prevent grocery stores from dominating incontinence products the way they took over the disposable baby diaper market.

"Drug stores are doing everything they can and they are not losing share the way some people thought they would," Simon said. "The category needs to be treated with dignity and drug stores typically do that with a large section near the pharmacy, compared to grocery stores where it might be relegated to two feet over the freezer."

At Kimberly-Clark Corp., Depend Absorbent product's manager Mary Pat O'Connor sees the same thing.

"We see drug stores losing some market share, but pharmacists have the opportunity through counseling and their relationships with patients to keep the incontinence business in drug stores," O'Connor said. "Because many people wait seven to nine years after their first incontinent episode before they see a doctor, the pharmacist is actually the first professional that patients see and they play an essential role in the treatment and management of incontinence."

Incontinent category
(Dollar sales share by class of trade)



Nielsen.

Drug stores continue to dominate the category, accounting for nearly 70 percent of total sales. But other formats, primarily mass merchandisers such as Wal-Mart, have begun to eat away at drug's share. According to Nielsen Marketing Research figures, mass merchandiser market share increased from 8 percent in 1990 to 11 percent last year. Wal-Mart has been successful with the category because it dedicates significant shelf space to the products and places them near the pharmacy where counseling is available.

Further erosion of drug store market share is expected to take place as the category continues to grow and people become more comfortable buying incontinent products at alternative formats. However, sales volume increases at drug stores are expected to be significant enough to more than offset projected market share losses.

"The same thing is happening with incontinence products that took place years ago with feminine hygiene; the stigma is disappearing," said Deborah Kirsten, a marketing manager with Medical Disposables Co., manufacturers of MaxiCare, PrimeTime, Ables and Stay-Put.

Kirsten is another who sees pharmacists playing a pivotal role in the growth of incontinent products.

"I'm not sure how brand-conscious pharmacists are, but if they are going to keep up with the needs of their customers they are going to have to be familiar with all the products that are available and their intended usage," Kirsten said.

Manufacturers agree that one of the main challenges facing the category is making sure consumers use the correct product for their condition. There are an array of products available—undergarments, shields, briefs and underpads—to treat the different types and levels of incontinence such as stress, overflow, urge and enuresis. "Point of purchase diplays are critical," according to Humanacare International president Anthony Gegelys. "If the customer has to ask for materials about a product you increase the likelihood that they won't receive the information."

Pharmacists are a focal point for information about incontinence but brochures and free samples are helpful,added Gegelys.

"The big challenge is matching a person's needs with the correct product," said George Kirk, a sales manager with Confab Companies. "Another big problem today is ignorance and the psychological reluctance to discuss an incontinence condition with anyone. Many people with a bladder control problem are very reluctant to talk about their situation even with their spouse or friends."

That reluctance is one reason companies such as Kimberly-Clark, manufacturer of market leader Depends, has taken the offensive with educational materials for both professionals and consumers. For pharmacists, the company offers a two-hour continuing education program and consumers can learn about incontinence and available products from several different brochures. Kimberly-Clark also produces a magazine called, *To Life!*, which deals exclusively with incontinence and can be obtained by calling (800) 558-6423.

Confab is also active in educating pharmacists, and frequently sends representatives to conduct seminars or meet with pharmacists and explain correct product usage.

Incontinence sales stay strong

Total sales for the category are at about $400 million annually, but could reach $1 billion by the end of the decade, according to industry estimates.

There has already been double-digit growth in the category. There were 341 million units sold in 1991, a 16 percent increase over the 293 million sold in 1990. And the 1990 figure was a 14 percent increase over the number of units sold the previous year. ■

C5150-2

The newspaper of drug store retailing July 6, 1992

DRUG STORE NEWS® SECOND CLASS

Vol. 14 No. 13 A Lebhar-Friedman publication

Drug chains maximize universal appeal of hair care

Focus on hair care

GALLUP '92

NEWS IN BRIEF

Genovese named Retailer of Year

MELVILLE, N.Y.— Genovese has been named Retailer of the Year by the Fragrance Foundation for the second year in a row in recognition of extraordinary creativity in the fragrance industry. The award pays tribute to retailers who recognize fragrance's tremendous consumer interest and respond by expanding their stores committees to the product category 12 months a year.

Drug Barn adds vp/cfo spot

COLMA, Calif. — Drug Barn, the deep discount Bay Area drug chain, has created a new position of vp/cfo as part of its growth strategy. Jay Rothstein, formerly of Price Waterhouse, Levi Strauss and Pacific Stereo, has been appointed to the position.

The privately-held chain added two stores in 1991 for a total of seven outlets, and posted sales of more than $50 million for a 31-percent increase for the fiscal year ending in October. Rothstein's appointment coincides with the linkup of the chain's new electronic purchasing and accounting systems with its storewide POS system, which was completed in November 1991.

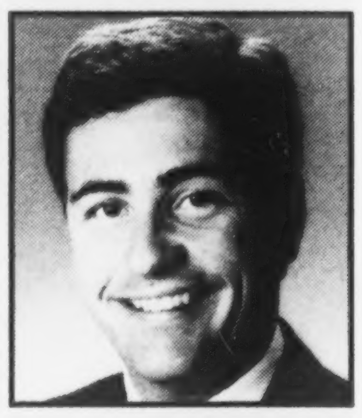
Levin: chair of job training program

WILMINGTON, Del.— Alan Levin, president and ceo of Happy Harry's Inc., has been named by Delaware Governor Michael Castle as chairperson for the Delaware Private Industry Council, Inc., an organization that provides tuition-free job training programs for youth and adults.

PayLess names Cueny

WILSONVILLE, Ore. — PayLess Drug Stores named Burke Cueny, former director of marketing for Domino's Pizza, as marketing manager.

Cueny will be responsible for advertising development and media management. Much of his focus will be on developing marketing programs designed to build pharmacy sales.



Cueny

Revco promotes audit director

TWINSBURG, Ohio — Revco D.S. has promoted Robert Bailey to the new post of director of corporate audit services, in charge of the direction and delivery of internal audit for corporate-level functions and information systems.

Bailey joined the chain in 1990 as manager of EDP audit and is a veteran of Ernst & Young. He will report to Charles Breckenridge, vp of control support services.

Medicap named in franchise award

WEST DES MOINES, Iowa — Medicap Pharmacies, Inc. was named one of the 28 "Hottest & Best Franchises to Start Now" by *Small Business Opportunities* magazine. The magazine chose its winners after researching over 5,000 franchise opportunities.

For more **News in Brief**, ***see page 8.***

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Drug chain sees bright future with advent of 'Vision' store

SALT LAKE CITY — American Drug Stores' new "Vision" prototype is "what drug stores used to be like before all the general merchandise got in the way," said Dave Maher, American Drug chairman, chief executive and president, but he predicted it represents "the future of drug stores," as well.

"We're introducing Vision in all our markets," said Maher. "Customers have told us it's the most beautiful store they've ever seen. . . that it's easy to shop and convenient."

American Stores stockholders toured the store via video at the company's annual meeting in mid-June. In Maher's words, the Vision prototype is anchored by four core departments: pharmacy, cosmetics/fragrances, camera/photo and greeting cards. Each is color-coded and labeled with new, bolder signing for easy identification, and up-front fixtures have been lowered to increase visibility. A nutrition department was also added.

The pharmacy area includes a larger patient waiting lounge and a closed room for private consultations. Said Maher, "Pharmacy is the core around which all the other departments must be built."

In an interview, Maher described the new format as about 3,000 square feet smaller than the company's current 17,000-foot average, "with a lot more emphasis on core drug store merchandise."

The Vision concept evolved last year in Phoenix. "We opened four stores there at one time under a new concept, then redid one of them as a true Vision store," he said. "We intend to do each store remodel now and each new store as a Vision prototype."

On another front, Maher said the drug chain hadn't yet decided what to rename the CVS stores in Southern California acquired earlier this year. "We're doing a lot of market research," he said, to determine how to position the stores, which are smaller than the Sav-on format American Drug operates in the same market.

When the new logo goes up, he added, it will probably incorporate some aspect of the Sav-on logo to tie the two formats together in the minds of local consumers.

Meanwhile, American continues to mirror the streamlining and cost-cutting efforts of its American Stores parent company. One example: the operating structure has been pared back with the elimination of five districts. "We're consolidating across the country," Maher said. "We're down to about 48 districts now."

The new logo will probably incorporate some aspect of the Sav-on logo.

American to blend Lucky and Sav-on with planned combo prototype in '93

Continued from page 3

Acme Markets division, the predecessor corporation for American Stores.

American has spent the last several years consolidating under three major store divisions: Jewel Companies (including the Jewel, Acme Markets and Star Market divisions), Lucky Stores in California and Nevada, and American Drug Stores, which operates coast to coast under the Osco and Sav-on banners.

In the process, American has downsized its store network to just under 1,500 food, drug and combo stores in 30 states. It has cut back to its best stores and markets, and concentrated on paying off debt.

Now, said Lund and other officers at the annual meeting, the company is ready to push forward with a more aggressive growth program in a bid for leadership and higher profits in its core markets, "while still continuing a modest deleveraging program," in its co-ceo's words.

"We are forecasting capital expenditures of $608 million for 1992 vs. $379 million for 1991, and our current plans call for a capital program in excess of $2 billion over the next three years," said Lund, who is gradually taking the leadership reins from soon-to-retire co-ceo and chairman Jonathan Scott. "To the best of our knowledge, this is the largest capital expenditure program of any food or drug retailer."

Lund said the funds will deliver 45 new stores around the country this year, including 30 new Osco and Sav-on drug stores, four combo stores and 11 supermarkets. "Additionally," he said, "it will fund 66 major and 106 minor remodels. These funds are being expended across all of our companies and should fuel the sales increases we need to deliver higher earnings going forward."

The cash, to be harvested from operating income and borrowings, will also fund another $150 million in new technology, on top of $68 million invested over the last three years in store and back-end automation, distribution, scanning and other improvements.

The aggressive spending program comes despite a weak economy that forced American to cut margins in many markets and boost ad expenses to maintain market share. Focusing on cost reduction, American also killed salary increases for top officers.

Those moves came on top of an extended period of downsizing for the company, which operates coast-to-coast through several subsidiaries including Osco, Sav-on, Lucky Stores, Jewel Food Stores, Acme Markets and Star Market.

"Since the start of the 1991 fiscal year, our store base has undergone significant change," said Lund in his first address to shareholders. "We have divested 145 Alpha Beta stores, a group of 59 drug stores in the Intermountain area and 74 of our Jewel Osco stores in Texas and Florida, as well as other small pockets of assets.

"The proceeds from these sales, coupled with internally generated funds, have been used to reduce debt and capital lease obligations by $830 million."

American's Oak Brook, Ill.-based American Drug Stores subsidiary was also able to secure the purchase earlier this year of 85 CVS drug and HBA stores in Southern California, allowing it to move "to the leadership position in Los Angeles under the Sav-on banner," according to Lund.

Jewel, meanwhile, has embarked on "the largest remodeling program in the history of the company," according to Jewel chairman and ceo Alan Stewart. The Acme stores in Pennsylvania, New York, New Jersey, Delaware and Maryland, for instance, are getting a complete makeover, with the addition in many cases of full-service pharmacies, scratch bakeries, service delis, staffed floral departments and seafood counters, said Stewart.

Jewel and Lucky are also consolidating administrative and other functions within their respective central offices in separate cost-saving moves, said Lund. The chains are also testing new merchandising and marketing concepts; for instance, in a bid to offset new threats from warehouse clubs, Lucky has introduced "Max-Packs," larger sizes in certain categories.

Kmart looms as headache for drug stores

IN THE MARKET
BRUCE BUCKLEY

When drug store operators talked in the past about their worst competitive nightmares, a Wal-Mart opening across the street was definitely at the top of the list. Drug retailers said that if they were put in an isolation room with no other information except a daily sales report, they could tell the moment a Wal-Mart opened nearby, so great was the dip in sales. Strategies were devised around the theme, how to survive Wal-Mart. Drug retailers prided themselves—and still do—on their ability to get past the Wal-Mart gauntlet with a minimum of welts.

The talk was always about Wal-Mart, rarely Kmart. Or if Kmart was mentioned, it was inevitably lumped in with the other mass merchandisers with pharmacy like Target—perennial place and show finishers in the race for the lucrative pharmacy/HBA market. Kmart had the pharmacy outlets, but not the powerful kinetic energy that makes for winner.

Now the dark horse bears watching. Kmart is kicking up its heels. In the past year or so, the Troy, Mich.-based discounter has been quietly building a powerhouse drug store operation under divisional vp Kevin Browett, a former Peoples pharmacy exec. Browett has put together a strong divisional team of pharmacy and front-end operations people and merchants whose objective is to carve out an increasing share of the drug store market. The objective fits in neatly with revitalized Kmart's overall strategy of becoming the destination point for a whole spectrum of customer needs.

In its attractive new prototype, Kmart has given prominent placement to pharmacy and the core drug categories. It has installed a new pharmacy computer system that gives pharmacists immediate access to patient and physician records, drug interactions, and third-party verifications. With this powerful new electronic tool, Kmart is aggressively going after third-party business.

What's more, its zone-pricing ability allows Kmart to aggressively tailor its pharmacy pricing structure to individual competitive markets. And it's using satellite links to communicate directly to pharmacists and pharmacy field managers throughout the chain.

With some 1,400 pharmacies in 44 states, Kmart ranks among the top pharmacy operators in the country. By 1995 the number is expected to reach 1,800. It's clear that Kmart is taking the old Avis "We Try Harder" message to heart and is bent on putting its name next to Wal-Mart as a worst-case nightmare for drug retailers.

* * *

I'm pleased to announce that David Morocco, vp-marketing at Brooks Drug, is joining our editorial board of advisers. Dave is a pharmacist who served in the Peace Corps, working on a health project in Rio de Janiero. He was also a doctoral candidate in cultural anthropology at Brandeis. He's worked at a small chain (Thayer) as well as a large one (for the past eight years at Brooks). We think this broad background and unique perspective give him a solid basis for helping us direct our editorial efforts. Welcome, Dave.

Personalized service spikes indy's punch

THE HUMAN SIDE
AL HELLER

Inertia counts in Murray, Ky., an agricultural town of 40,000.

The stewardship of Wallis Drug, the nation's oldest drug store in a single location, has been in the hands of Jimmy Ford, D.Ph., a 56-year-old practitioner since 1977.

Not surprisingly, Ford gets plenty of customers who said their grandparents came to the store. And this pleases him. But don't think Wallis and Ford are small potatoes.

The 20 x 100-foot Wallis has deftly survived the onslaught of Wal-Mart, which drives many large chain executives to tears.

And Ford recently received the Merck Sharp & Dohme Award for Outstanding Achievement in the Profession of Pharmacy for the mere reason that he has overseen the dispensing of more than 2 million prescriptions during his 33-year career in rural America.

His volume peaked three years ago during the final year of a 180-bed nursing home contract, but he still pumps out well over $250 sales per square foot. He fills an average of 175 scripts a day, with third-party payments accounting for two out of three, way up from the "15 to 18 percent it was 10 years ago," Ford said.

This unearths the outspoken Ford: "I just gave two customers $1,000 worth of prescriptions. One got a 100-day supply of six scripts, and the other three months worth. My profit was $10.75. Insurance programs are dictating your life. And they change the nature of people, make them more conservative."

Ford, an affable big thinker in a small town, yearns for days that yielded more psychic rewards. He makes sure all his customers have his home phone number—and this has paid off for one in a big way.

A father in his late 40s had told Ford of his 7-year-old daughter's asthma attacks. Early one morning in pitch darkness, the man had the fright of his life. She wasn't breathing well and, unable to reach a doctor, the man awoke Ford. "She's dying," he said. Ford scrambled immediately, met him at the store by 6:30 a.m., and when he saw she was turning blue, administered two puffs of an OTC asthma inhalant, which opened her airways and brought her color back.

The store's success rests largely on Ford's commitment to the town. But he also plays a few angles to the hilt.

There is his selection of 100 fragrances that attracts customers from 88 miles away in Jackson, Tenn. "The department stores may have half a million dollars worth of 20 brands, but I acquire through different routes, offer more and am no more expensive. Plenty of people aren't comfortable going to the bigger cities or driving long distances," Ford says.

Fragrances account for about 20 percent of his business, the second biggest department behind pharmacy at 65 percent.

Indeed, many of his fragrance customers are students at nearby Murray State University.

More often than not, they first come in for the store's famous Orangeade, a recipe whipped up in 1958 by former owner and mentor Gingles Wallis. (The store was founded in 1838 by A.H. Wear, who was succeeded by his son H.P. Wear in 1882.) Ford developed the Zinger in 1978, another reason for people to quench their thirst here.

He has a counter and a few tables. On a slow day, he serves up 75 drinks at $1 a toss, but on a busy day, crowds gather and he can pour 500. The place is a watering hole.

Many of his drinkers are students who also buy fragrances, "because boys buy what girls like and girls buy what boys like," Ford says.

But if, while passing through Murray, you just want to see his museum—a six-foot-wide glass-encased display of pharmaceutical artifacts—Ford will be glad to have you in the store. But it'll be hard to resist an Orangeade.

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Cable Address: LEBHAFRIED
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VP/Publisher **JAY FORBES**
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Rite Aid's first quarter net income rises 15%

SHIREMANSTOWN, Pa. — In an extremely difficult economic environment, Rite Aid Corp. still managed a 15 percent jump in net income for its first quarter ended May 30. The chain reported net income at $30.4 million compared to $26.4 million for the comparable period the previous year.

Store revenues increased 7.6 percent to $922.8 million for the first quarter ended May 30 compared to $857.5 million for the comparable period one year ago.

The thriving net income is partly attributed to a healthy 6.5 percent growth in same store sales for the 13 weeks. Rite Aid senior vp of finance Frank Bergonzi said the chain gained some expense leverage from that increase. Cost controls and reduced interest rates were also credited with keeping Rite Aid's income strong.

"We have a lot of ongoing expense control programs, such as increased automation through POS scanning, that have made our organization more efficient," he said. "The sale of shares in May 1991 also helped us to reduce debt, which drove down our interest rate, and that helped as well."

Rite Aid added 46 new drug stores during the quarter, including the 34 Wellby stores in Maine and New Hampshire that the chain acquired in May.

Same-store results hot for Perry second quarter

PONTIAC, Mich. — Perry Drug Stores continued to show impressive gains for the second quarter ended April 30, with same-store sales showing double-digit increases and earnings in record territory.

Same-store results were up 14 percent for the quarter and 12.4 percent for the first half. The reason: thriving pharmacy sales that now account for more than 50 percent of total store sales for the first time; continued improvements in former Revco stores acquired in 1990; a successful advertising image remake in the works for two years; and other factors.

The same-store gains drove overall sales up eight percent in the second quarter to $163 million, despite the fact that Perry operated 19 fewer stores than in the same period last year.

Net earnings for the second quarter were up 40 percent to $1.5 million, marking the sixth consecutive quarter of net earnings gains.

First-half net rose 60 percent to $4.1 million. Sales for the first six months rose 7.2 percent to $338 million.

Bergen's net sales increase

ORANGE, Calif. — Bergen Brunswig Corp. reported a 20 percent increase in third quarter net sales to $1.34 billion from $1.11 billion for the period ended May 13, 1992. Net earnings were $17.2 million compared with $17.1 million in the prior year.

Net earnings for continuing operations were $16.0 million compared to $16.2 million for the comparable period, while earnings from discontinued operations were $1.2 million compared to $1.0 million a year ago. Earnings from discontinued operations are those of Commtron Corp., a distributor of pre-recorded videocassettes, sold to Ingram Industries, Inc. in a sale concluded on June 19.

Net sales and other revenues from continuing operations for the nine months ended May 31, 1992 increased 16 percent to $3.7 billion compared to $3.2 billion a year ago. Net earnings were equal to $43.1 million compared to $51.2 million in the 1991 period.

According to chairman and ceo Robert E. Martini, results for the third quarter were in line with objectives despite lower price increases on pharmaceuticals and a lower gross profit margin rate than in prior year periods.

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MARKET DIARY:

Largest Dollar Gainer	Penney, JC	$ 4.63
Largest Dollar Loser	Zenith Labs.	$− 4.00
Largest Percentage Gainer	Big B	10.42%
Largest Percentage Loser	Barr Laboratories	−32.39%

Advances	17
Declines	42
Unchanged	4
New highs	1
New lows	14

	Close 6/9/92	Close 6/23/92	Net Change	Percent Change
Drug Store News Index	4554.89	4442.37	−112.52	−2.47
Dow Jones Industrial Average	3369.92	3285.62	− 84.30	−2.50
Standard & Poor's 500-Stock Index	410.06	404.04	− 6.02	−1.47
N.Y.S.E. Composite	225.95	221.99	− 3.96	−1.75
Value Line Index	253.46	244.20	− 9.26	−3.65

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 6/9/92	Closing Price 6/23/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.75	4.75	0.00	0.00	19	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	18.25	19.50	1.25	6.85	20	0.12	0.62	25.25	17.50
OTC	Big B	BIGB	12.00	13.25	1.25	10.42	14	0.20	1.51	16.25	10.63
OTC	Drug Emporium	DEMP	6.00	6.00	0.00	0.00	—	0.08	1.33	9.25	5.00
NYS	Fay's Inc. (L)	FAY	7.70	7.88	0.17	2.27	18	0.20	2.54	12.09	6.59
ASE	Genovese Drug (L)	GDX.A	8.38	7.75	−0.63	− 7.46	8	0.24	3.10	14.75	7.63
NYS	Longs Drug Stores	LDG	34.50	34.50	0.00	0.00	13	1.12	3.25	44.00	33.13
OTC	Medicine Shoppe	MSII	24.00	24.75	0.75	3.13	18	0.36	1.45	30.75	19.50
NYS	Perry Drug	PDS	9.13	9.00	−0.13	− 1.37	12	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	20.25	20.00	−0.25	− 1.23	14	0.52	2.60	23.75	17.25
NYS	Walgreen Co.	WAG	30.88	32.63	1.75	5.67	19	0.52	1.59	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	19.75	19.50	−0.25	− 1.27	15	0.40	2.05	23.91	16.00
OTC	Bindley Western Ind.	BIND	15.50	14.63	−0.88	− 5.65	8	0.04	0.27	20.75	13.50
OTC	Cardinal Distribution	CDIC	29.50	29.25	−0.25	− 0.85	22	0.08	0.27	38.75	22.50
OTC	Durr-Fillauer	DUFM	22.00	20.75	−1.25	− 5.68	14	0.28	1.35	32.75	17.50
NYS	FoxMeyer Corp.	FOX	13.25	12.38	−0.88	− 6.60	12	0.28	2.26	16.63	10.75
NYS	McKesson Corp. (L)	MCK	31.63	30.63	−1.00	− 3.16	34	1.60	5.22	40.13	30.25
ASE	Moore Medical	MMD	6.63	6.00	−0.63	− 9.43	20	0.00	0.00	7.38	3.00
NYS	Owens & Minor	OMI	17.50	17.13	−0.38	− 2.14	17	0.24	1.40	24.25	15.34
Manufacturer's transactions											
NYS	Abbott Labs	ABT	27.75	28.50	0.75	2.70	21	0.60	2.11	34.88	25.31
NYS	American Home Products	AHP	69.88	71.13	1.25	1.79	16	2.60	3.66	86.25	59.63
ASE	Barr Laboratories (L)	BRL	8.88	6.00	−2.88	−32.39	200	0.00	0.00	37.50	6.00
NYS	Baxter International	BAX	35.38	36.75	1.38	3.89	17	0.84	2.29	40.88	31.50
OTC	Block Drugs Co.	BLOCA	46.50	47.50	1.00	2.15	15	0.88	1.85	61.00	45.00
ASE	Bolar Pharmaceutical	BLR	12.63	12.00	−0.63	− 4.95	—	0.00	0.00	14.50	3.75
NYS	Bristol-Myers Squibb (L)	BMY	64.50	66.38	1.88	2.91	16	2.76	4.16	90.13	62.00
NYS	Carter-Wallace	CAR	27.50	25.00	−2.50	− 9.09	25	0.32	1.28	45.84	20.66
ASE	Columbia Labs (L)	COB	5.50	4.88	−0.63	−11.36	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	20.13	19.00	−1.13	− 5.59	14	0.28	1.47	24.38	16.88
ASE	Forest Labs	FRX	31.75	30.88	−0.88	− 2.76	27	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	6.75	6.63	−0.13	− 1.85	24	0.00	0.00	9.75	4.56
NYS	ICN Pharmaceutical	ICN	11.88	10.00	−1.88	−15.79	10	0.00	0.00	25.38	4.88
NYS	Johnson & Johnson (L)	JNJ	45.13	44.88	−0.25	− 0.55	20	0.92	2.05	58.69	40.88
ASE	Lee Pharmaceutical	LPH	1.50	1.38	−0.13	− 8.33	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.88	14.88	0.00	0.00	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co. (L)	LLY	64.63	64.38	−0.25	− 0.39	14	2.20	3.42	87.75	63.63
NYS	Marion Merrell Dow	MKC	32.75	32.50	−0.25	− 0.76	15	1.00	3.08	39.00	27.25
NYS	Merck Co.	MRK	48.75	49.50	0.75	1.54	26	0.92	1.86	56.59	38.66
NYS	Mylan Labs	MYL	36.75	37.25	0.50	1.36	35	0.20	0.54	43.25	23.25
NYS	Novo-Nordisk	NVO	87.00	87.25	0.25	0.29	18	0.60	0.69	96.00	66.00
OTC	Nutramax Products	NMPC	10.25	10.00	−0.25	− 2.44	25	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	69.63	72.25	2.63	3.77	33	1.48	2.05	87.00	55.50
NYS	Pharmaceutical Resources	PRX	5.50	4.88	−0.63	−11.36	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	55.38	54.00	−1.38	− 2.48	22	0.64	1.19	69.38	41.25
NYS	Schering Plough	SGP	50.25	54.75	4.50	8.96	17	1.56	2.85	68.00	49.88
NYS	Syntex Corp. (L)	SYN	35.13	34.75	−0.38	− 1.07	17	1.04	2.99	56.00	33.25
OTC	Taro-Vit Industries	TAROF	9.00	8.50	−0.50	− 5.56	121	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	24.63	23.63	−1.00	− 4.06	25	0.16	0.68	28.38	12.63
NYS	Upjohn Co. (L)	UPJ	32.88	31.88	−1.00	− 3.04	11	1.36	4.27	47.88	31.25
NYS	Warner-Lambert (L)	WLA	60.25	59.88	−0.38	− 0.62	49	2.04	3.41	79.25	58.38
OTC	Zenith Labs	ZENL	22.00	18.00	−4.00	−18.18	—	0.00	0.00	24.50	7.00
Other retailer transactions											
NYS	Albertson's	ABS	39.88	39.63	−0.25	− 0.63	23	0.64	1.62	44.88	32.75
NYS	American Stores	ASC	34.75	34.13	−0.63	− 1.80	11	0.68	1.99	42.50	26.00
NYS	Giant Food	GFS.A	20.75	20.50	−0.25	− 1.20	16	0.68	3.32	29.88	19.75
NYS	Great Atlantic&Pacific Tea	GAP	31.88	28.63	−3.25	−10.20	15	0.80	2.79	44.88	25.00
NYS	Kmart	KM	23.25	22.50	−0.75	− 3.23	11	0.92	4.09	27.50	19.06
NYS	Kroger (L)	KR	16.75	15.38	−1.38	− 8.21	13	0.00	0.00	24.50	14.75
NYS	Melville Corp.	MES	44.75	44.25	−0.50	− 1.12	14	1.48	3.34	52.00	38.25
OTC	Fred Meyer	MEYR	26.88	24.25	−2.63	− 9.77	13	0.00	0.00	29.25	18.25
NYS	Penney, JC (H)	JCP	65.63	70.25	4.63	7.05	29	2.64	3.76	70.25	47.13
NYS	Safeway (L)	SWY	12.00	12.50	0.50	4.17	22	0.00	0.00	20.25	11.63
NYS	Smith's Food & Drug (L)	SFD	29.13	29.00	−0.13	− 0.43	17	0.44	1.52	43.25	27.88
NYS	Wal-Mart	WMT	54.13	53.88	−0.25	− 0.46	37	0.20	0.37	59.88	43.00

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Note: Fay's completed a 5-for-4 stock split

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.